

# Systematical business analysis for Haidilao based on the customer's preference and SWOT model

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**Abstract.** Haidilao has created a model for China's catering service industry. From corporate management to brand building, it embodies its indelible emotional marketing. This article analyzes the development of Haidilao and investigates the methods for how to satisfy the customers. This research captures the detailed behavior of Haidilao to keep more customers participation. Then, this study establishes the SWOT model to Haidilao and giving insights about Strengths, Weaknesses, Opportunities, and Threats. This article also introduces the most opportunity for this firm is that with the development of society, China's economy has developed rapidly. This would bring many new urban people and mobile people emerging and catering industry products. In the future, more quantitative analysis will be conducted for the company's business development.

**Keywords:** Haidilao; SWOT model; Strengths.

## 1. Introduction

Haidilao was founded in 1994. The expansion and the growth of the company are relatively slow before 2009. Starting from 2010, Haidilao expanded rapidly, by changing its management model and services concept, launching take-out services, opening plenty of stores in China, and starting access to aboard range of overseas businesses. Nowadays, it has 1298 stores in the world. 1205 stores are in mainland China, and 93 others are opened in HK, Macau, Taiwan, Korea, Singapore, Canada, and other overseas countries. There are 544 newly opened stores in 2020. It develops quickly in recent years.

According to the regional distribution of stores, most of the second-tier and third-tier cities are the main target market for Haidilao. According to the report, there are 424 stores opened in second and third-tier cities in 2020 [1]. However, 2020 was bad for everyone due to the Covid-19, especially for the catering industry. Haidilao had experienced a tough year in 2020, as well. As Haidilao is an example, in the terms of the recently released financial report for 2020, Haidilao's annual revenue was 28.6 billion Yuan, a year-over-year increase in revenue of approximately 7.8%. The annual net profit was 309 million Yuan, a year-over-year decrease in net profit of approximately 86.8%. In recent months, the share price of Haidilao has directly fallen to the "bottom of the sea" [2].

Since the 1980s, the existence of such exceptions has been fueling an expectation that the production of high-quality fashion garments and tailored suits would remain in the industrialized core [3-4].

They are many kinds of literature that conduct research on firms' business development [5-6]. Elavarasan et al., give a descriptive overview of the country's renewable assets and its green future through a SWOT analysis for different nations' energy firms including India, China, Iceland, Sweden, and the US [7]. Retail industries also are researched based on different business models, such as SWOT analysis, Pest analysis, and Porter five forces models [8].

In this article, I am going to find out how can Haidilao become such famous, popular, and successful so fast during these years, how should they plan to do to face these crises like covid-19 next time, and how can they be more successful in the future. I propose some methods to satisfy the customers, including increasing activities in the waiting time to help customers full of joy, providing intimate excellent services, giving meticulous and considerate after dinner service, humanized service, and improving employee satisfaction and customer loyalty. Then, I conduct the SWOT analysis for this firm. I find that the most opportunity for this firm is that with the development of society, China's

economy has developed rapidly. This would bring many new urban people and mobile people emerging and catering industry products. The future of this company would be great.

The reminder of the article including methods to satisfy the customers in Section 2. I research the SWOT analysis in Section 3. Finally, I propose the conclusion in Section 4.

## **2. Methods to satisfy the customers**

### **2.1 Waiting time to be full of joy**

In every Haidilao store, there is a big screen that can be shown the latest waiting seat information in the waiting area of the "Haidilao" store. The customers in this waiting room could sit there leisurely with eating free fruits, drinking beverages, and enjoying the free internet access. Shoeshine, manicure, and massage services are also provided by the store. The boring waiting time would be filled with entertainment and joy. They also prepare children's playgrounds for all kids age range for 3 to 12 years old.

All these services and entertainments satisfy the customer experience and create a nice and homey atmosphere. They want people to feel like eating at home, not a restaurant. Moreover, while enjoying the service, it also retained the people waiting for service and paid equal attention to it.

### **2.2 Intimate excellent service**

The Haidilao has been more widely known for its dining services. For example, the waitress will tie up the hair for women or provide small hairpins to clamp the hairs to prevent the hair from falling into the food. Customers who wear glasses can get glasses cloth. The mobile phone on the table will be packed in small plastic bags to prevent greasily. For every 15 minutes, a waiter will change the hot towel for you. In Haidilao, you can enjoy the unique value-added services of Haidilao. Haidilao will offer and improve more warm services and excellent facilities that can also be provided by competitors.

### **2.3 Meticulous and considerate after dinner service**

After the meal, the waiter will immediately bring chewing gum. All the waiters you meet along the way will smile and say goodbye to you. Even helped you to call a taxi. It is this thoughtful and meticulous service that makes Haidilao in the leading position in the hot pot industry.

### **2.4 Humanized service**

Constantly listen to consumers' opinions and fully respect their consumers. Haidilao takes care of customers in different ways with different personalities and consumption orientations and knows how to accept diverse suggestions. Recently, Haidilao has tried out a new service in some stores across the country: don't disturb; for someone don't like to be served all the time during the meal. In addition, the waiter will kindly remind you that you can order half of it if you order too much. They also have discounts for college students by providing their full-time college students' cards. They even will waive the payment if the customer doesn't get satisfied during the meal. They also prepare some gifts for all the customers if they hold any celebrations in their restaurant.

### **2.5 Serve the profit chain and improve employee satisfaction and customer loyalty**

The service profit chain consists of the following cycles: employee ability cycle, employee satisfaction cycle, customer loyalty cycle, and enterprise profit cycle. Taking the enterprise profit cycle as the mainline, the four cycles interact with each other. Haidilao's service profit chain, employees get satisfactions -> employees are motivated -> employees serve customers better -> great dining experience -> enhance customers' loyalty and increase consumption -> word-of-mouth -> the enterprise is profitable.

### 3. SWOT Analysis

#### 3.1 Strength

**Business scale.** According to the tough entrepreneurial experience, Haidilao has become a large well-organized firm. It owns more than thousands of employees. the company also hires plenty of expertise and professional technicians, which are skilled in foods, drinks, nutrition, warehousing, and management. Moreover, there are thousands of stores all around the world, which have accumulated more than 100000 square meters.

**Service patterns that are difficult to replicate.** Although Haidilao is a hotpot restaurant, its core business is not catering, but service. Almost every store is the same. There is a loud noise in the waiting area, and the number of waiting is almost the same as that of dining. Waiting was originally a painful process, but Haidilao turned it into a joyful and enjoyable experience. All customers can watch their seat information on the screen in the waiting area. Simultaneously, they can also have some free fruits, drinks, and snacks [9]. If you are waiting as a group with your friends, the waiter will offer some send table games such as playing cards and checkers for your groups to pass the time; Or using the free Wi-Fi to do your things, or you can also enjoy a free manicure and shoe polish. All these services attract a great number of new people, keep plenty of loyal customers, continuously transmit its service concept to consumers, and become Haidilao's unique highlights and difficult to replicate into other enterprise service systems.

**Brand Awards.** Starting from 2006, Haidilao Haidilao's company became a group member of the International Culinary Federation. It was rated as a member unit by the China culinary Association in the same year. In 2007, Haidilao's company was honored as a famous businessman in Sichuan Province. In 2009, CECA issued " The Top 500 Enterprises in China for the Year in 2008". On May 27, 2011, Haidilao's company was approved by the Trademark Office of the State Administration of Commerce and industry and recognized as a "well-known trademark". After that, Haidilao Company has always been seen as a benchmark in the food industry.

**Advanced management mode.** The management of personnel in Haidilao is an important factor for its success. It has established a complete and unique personnel management system. The first is the job rotation system. To avoid overwork and cumulative pressure, letting the staff "work happily and serve with a smile" is their priority purpose, and therefore they introduced the job rotation system. The second things are compensations, salaries, and benefits. Haidilao implements the salary leading strategy, and the overall income of its employees is 10% - 20% higher than the other companies in the same industry.

**Continuous innovation of services and products.** Customers Service is the most famous highlight of Haidilao. They are also well known as the best services catering enterprise in the food industry. The development of new dishes has also always been pursued by Haidilao. For those hotpot products and meat, Haidilao not only carefully selects the place of origin but also focuses on the processing procedures to ensure all the customers' health and safeness. For the base flavorings of hotpot, Haidilao has also created many unique flavors, which become the supplement to the traditional Sichuan hotpot [10]. They also supply no flavor hotpot but just add water into the pot that can let customers create their base flavors of hotpot.

#### 3.2 Weaknesses

**The coverage area is too big.** As a large-scale chain restaurant company, Haidilao has stores all around the world. It could be hard for the Haidilao Company to keep their standards of food products and services constantly. Therefore, it hinders its development across the world and is not conducive to its progress.

**Average Store size.** The warm service provided by Haidilao while waiting for a meal is a special feature of its business, but in turn, why does Haidilao need time to wait for a meal? According to my observation, the average business area of Haidilao is much smaller than that of other hotpot restaurants, which results in most of the time waiting for meals. They provide such big room areas

just for more and more people can wait. Nevertheless, non-loyal customers, they might give up while they are waiting, and eventually choose other hotpot shops, which inadvertently loses some potential customers.

**Single management.** The success of Haidilao lies in its unique service concept; however, the unitization of operating products has become a barrier to its development. As a large-scale catering company, Haidilao only provides hotpot services for customers, which limits its development.

**Price disadvantage.** Although Haidilao has achieved great success in consumer recognition, its relatively high price has also become a disadvantage for it. Compared with other similar stores in the industry, Haidilao's price is approximately 30% higher than the others. For those consumers who aren't persuaded for high standards of service quality, but looking for prices, the relatively high price exceeds their expectations.

The chain operation style has drawbacks. Haidilao's chain model is "masters with apprentices", that is, selecting some excellent staff from the old shop to train their employees so that they could understand the business culture of the company, and operate independently after passing the assessment. The disadvantage of such a chain operation is that it is not conducive to Haidilao's rapid formation of a large number of stores in order to occupy a certain market share.

### 3.3 Opportunity

With the rise of the construction of new socialist countryside, the integration of urban and rural areas is vigorous, the process of urbanization has accelerated, and a large number of new urban people and mobile people have emerged as catering industry products. In order to attract new customers, the catering industry must develop rapidly.

With the development of society, China's economy has developed rapidly. With the changes in people's consumption preferences and drinking habits, the catering industry must provide high-quality, diversified, and pollution-free healthy and nutritious catering products for this purpose.

China, as a country with a large number of catering consumers, but in the composition of retail sales, the top 100 catering industry accounts for only 7.7%, is lower than the international level. This data shows that the development of China's catering industry is low and weak, and the concentration is not high either. Conversely, this provides development space and opportunities for the catering industry to become stronger and stronger.

As a local special food style, hotpot is becoming more and more popular among people across the country and easy to be accepted all around the world.

Competition has intensified and the pace of work has accelerated, objectively providing requirements for family labor, especially for the socialization of family kitchens, and also provide the possibility for the development of the catering industry.

### 3.4 Threat

**Changes in consumer spending patterns.** With the faster and faster pace of life, people are more inclined to choose fast food and various self-help meals. However, as a hotpot company, it requires at least one and a half hours to enjoy their dining, so more consumers give up on it.

**Imitation of the same industry.** After Haidilao successfully launched its business concept, many of its colleagues and even other companies engaged in the catering industry have followed its system, and many of them have achieved good results. Haidilao's service culture is becoming more advanced. The speed of Haidilao has been replicated by many people, which poses a threat to Haidilao's operations.

**The impact of foreign drinking culture.** In recent years, meals from Korean cuisine, and Japanese cuisine have become more popular in China. Thus, Chinese local catering styles have inevitably been impacted.

A large number of new-type enterprises have emerged in this hotpot industry. Other companies start to innovate and create several innovative products in the catering industry, which quickly

satisfied the needs of consumers, occupied a certain market, and brought a certain impact to the brand rice cooker.

Changes in the dietary structure. People are paying more attention to the health issues of drinking and advocate green consumption. As a hotpot company, Haidilao's products are rich in fats and other high-calorie substances, which are resisted by many consumers.

The product safety and quality supervision system has become more and more stringent. People are paying more attention to those problems of food safety, and the country has also begun to regulate product safety by law, which has had an impact on the development of the catering industry.

The impact of foreign drinking culture. In recent years, meals from Korean cuisine, and Japanese cuisine have become more popular in China. Thus, Chinese local catering styles have inevitably been impacted.

The government's protection of local enterprises. In order to maintain the development of local catering companies, the government has formulated a few incentive measures. However, these national chain companies such as Haidilao do not have such government resources and lose a certain advantage when competing with other catering companies.

#### 4. Conclusion

Haidilao's stores are also growing. According to statistics, Haidilao has opened 500 stores around the world in just six months. This is the reason why Haidilao's revenue cost has been rising. The continuous expansion of stores has not only brought about revenue but also brought a lot of problems. In this article, Haidilao is discussed.

This paper investigates some methods of Haidilao and research how it could attract customers. It is found that the following ways increase its attractiveness. It offers meticulous and considerate after-dinner service, humanized service, and thus the employee satisfaction and customer loyalty would be increased. The SWOT analysis shows some threats of this firm, firstly, the meals from Korean cuisine, and Japanese cuisine have become more popular in China. Secondly, people are paying more attention to the health issues of drinking and advocate green consumption. However, the competitive ability for Haidilao would not be down because its service patterns are difficult to replicate.

Besides, there are also some limitations for the study, it still lacks the processing of collecting lots of data for the mathematical analysis. In the future, further research will be conducted based on quantitative models.

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