

Marketing Strategy Analysis and SWOT Analysis of Haidilao Under the COVID-19 Epidemic

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Abstract. Since 2020, the COVID-19 pandemic has spread around the world and caused a huge impact on the economy. In the catering industry, the emerging online restaurants, which mainly focus on online sales, are growing rapidly thanks to China's epidemic management policy. In contrast, traditional restaurants, where offline dining is the main form of dining, have been hit hard by the coronavirus pandemic as people cannot go out. Based on the theory of consumer behavior, this paper analyzes the performance, financial status, advantages, and disadvantages of Haidilao, a traditional hotpot chain enterprise, during the epidemic period through case studies and literature research methods. This study found that the impact of COVID-19 on consumers and aggressive marketing strategies were the main reasons for the loss of Haidilao. Through this study, this paper proposes solutions to the financial crisis and product deficiencies of Haidilao and hopes to provide a reference for the traditional catering industry to develop appropriate marketing strategies during the COVID-19 pandemic.

Keywords: The COVID-19 epidemic; marketing strategy; SWOT analysis.

1. Introduction

In order to determine customer demand and purchasing power, business expectations, and the planned structure of various business activities, marketing strategies start with the demands of the customer [1]. A marketing plan is a set of quantifiable and manageable actions intended to boost sales and the reputation of a company for a certain target market. It is a combination of many marketing techniques, including public relations strategy, product, pricing, place, and channel marketing [2]. An appropriate marketing strategy cannot only solve the contradiction between production and consumption, meet the needs of production and consumption and life consumption, but also optimize the allocation of resources to make full use of resources to avoid the waste of social resources and enterprise resources [3]. The rapid development of the modern market economy is intensifying market competition. If an enterprise wants to develop in the fierce market competition, it must formulate appropriate marketing strategies in combination with its own conditions. If the products produced by the enterprise want to achieve success in the market, it is necessary to think strategically about the current market. Any business' marketing strategy is its most significant asset for growth and serves as the structural backbone for the creation and selling of all of its products. The correct marketing strategy will support the business to increase marketing effectiveness, assure smooth operation, and actualize the business's rapid growth and efficient and safe operation [3]. For example, Nike gains a market advantage and expands its business in other countries by increasing or reducing the product range to price the marketing strategy and social media promotion [4]. Chanel has achieved success in the Japanese market by adhering to the concept of providing high-quality products to consumers and the strategy of combining products with different cultures of different times and regions [5].

Based on the theory of consumer behavior, this paper adopts the case study method and literature study method to analyze the marketing strategy and financial situation of Haidilao, a hotpot chain enterprise, since the epidemic. The study found that the aggressive marketing strategy adopted by Haidilao in the early stage of the epidemic and the impact of the epidemic on consumption contributed to the financial crisis of Haidilao.

Firstly, the article describes the background information of Haidilao, its financial status, and stock price in recent years, and secondly analyzes the marketing strategy of Haidilao from the perspective

of social media and consumer psychology and behavior. Then the article uses the SWOT analysis method to analyze the advantages, weaknesses, opportunities, and threats of Haidilao. The final part of this article is a summary of the article's background, research methods, conclusions, deficiencies, and future research plans.

2. Haidilao's description

2.1 Establishment and development

Established in 1994, Haidilao Hotpot is a large chain restaurant founded by Haidilao International Holding Ltd. In Jianyang, Sichuan, China. Its brand philosophy upholds the necessity for the restaurant to be "committed to the mission of creating happy hot pot time and spreading healthy hot pot culture" to customers worldwide through its thoughtful service and high-quality products. Communication with the customers, in the eye of the brand, is essential in building connection and trust, which later encourages people's social networking at the table and their loyalty to the brand.

As the largest hotpot chain in China and the most popular hotpot restaurant abroad, Haidilao Hotpot intrigues numerous scholars to study the reasons behind its success. Unlike common catering brands, Haidilao Hotpot manages to employ both traditional and digital marketing strategies, which enable the brand to both maintain its current businesses in China and expand its global market [6]. Another key element that makes the brand different from its counterparts is its unique approach to customer services, which "integrates customer experience management and innovation"[6].

2.2 Financial analysis

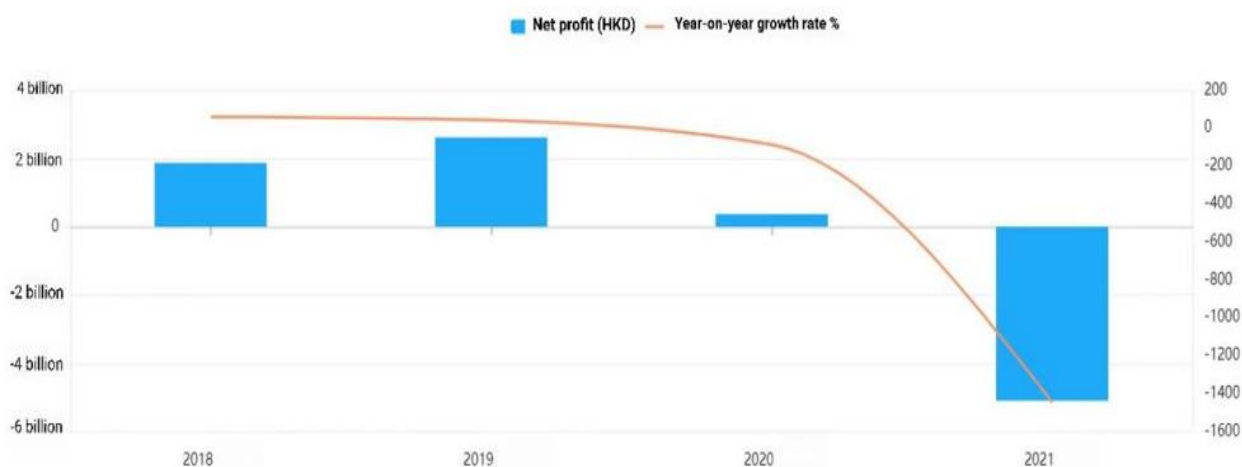


Fig 1. Financial analysis for the Haidilao Hotpot.

As figure 1 illustrates, the COVID-19 epidemic has become a turning point for the development of Haidilao. The high growth stopped in 2020. According to the financial statement, the net profit attributable to the company was only 309 million yuan in 2020, significantly lower by 86.81% compared with the same period last year. Since then, the financial situation of Haidilao has continued to deteriorate. On February 21, 2022, Haidilao released its 2021 financial report, showing a huge loss of 3.8 billion to 4.5 billion yuan for the whole year.



Fig 2. The stock price for Haidilao.

In 2020, Haidilao's share price soared from a low of HK \$33 to a high of HK \$85. But Haidilao's upward trend suddenly fell after the 2021 Chinese New Year, from a high of HK \$85 to around HK \$20, and the downward trend doesn't seem to be stopping [7] and the performance report shows that Haidilao generated a loss of 4.16 billion yuan in 2021. Zhang Yong, the former CEO of Haidilao, has always believed that Haidilao has a huge market space, and the expansion of the network will go further than the extreme luxury brand. Perhaps without the influence of the market environment, the brand can also be launched. The capital story of Haidilao can make sense logically. Even the faster the expansion and the more stores, the more the market value of the company can be raised. But Haidilao clearly underestimated the impact of the pandemic on the market.

2.3 Product

Haidilao Hotpot sells products in five categories. This variety of choices enables its customers to personalize their meals. Along with the high quality, its products are famous for their “traditional touch and design while also being practical for the consumer’s use” [8]. As a hot pot catering brand, Haidilao Hotpot provides its customers with highly personalized hot pot meals, a cheerful atmosphere, and thoughtful services. Haidilao Hotpot also sells unique bagged pot bottoms with various flavors in supermarkets across the country, which promotes the brand to more customers even outside the stores.

3. Marketing strategy analysis

3.1 Social Media

Haidilao suffered huge losses due to its wrong marketing strategy during the COVID-19 pandemic. In 2021, the one-time loss and impairment loss on disposal of long-term assets caused by the closure of more than 300 Haidilao restaurants (260 Haidilao restaurants are permanently closed) and the decline in restaurant operating performance totaled about RMB 3.3 billion to RMB 3.9 billion [7]. In 2020 and 2021, the rapid expansion of stores and internal management problems had an impact on the operation of Haidilao restaurant [7].

The reason for this result is that Zhang Yong, CEO of Haidilao, misjudged in June 2020 that “the epidemic will be over soon”. Haidilao sees 2020 as an opportunity for countercyclical expansion, opening 662 new stores from the second half of 2020 to the first half of 2021 after the wrong strategy, almost equal to the total store stock before 2019. But the reality is that COVID-19 continues today [8].

3.2 Consumer psychology and behavior

People living in different places will have different eating habits and special food. Without hindering personalized dietary services, chain stores can regionalize their hot pots according to their location to attract local customers. For example, the Haidilao stores in Beijing can increase some

copper pots. Most of Haidilao's customers are young people, and blending Sichuan hot pot with the Beijing factor can be loved by more Beijing people.

Long waiting times are a common problem in the restaurant industry. Haidilao hotpot should shorten the time of waiting before dining. The suggestion of Haidilao hotpot can put an hourglass on each table, adding some fun to the simple table, which is also a consideration for staff service. Design from the end of the consumer order to the end of the time to improve the speed of the staff to serve food.

4. SWOT analysis

The SWOT analysis identifies, through research, all important internal strengths, as well as external opportunities and dangers that are directly relevant to the subject of study. In order to develop appropriate development strategies, plans, and countermeasures based on the research results, the SWOT analysis method can conduct thorough, systematic, and accurate research on the situation of the research object [9]. The following paper will use SWOT analysis to analyze Haidilao and put forward suggestions.

4.1 Strengths

Haidilao Hot pot is famous for its uncommonly thoughtful customer service and high-quality product. Both advantages have boosted the customers' loyalty to the brand. It has also been observed that for Haidilao Hotpot chain stores that enjoy a high level of customers loyalty, customers' commitment towards the brand and the store's service quality both play an active role in positively affecting customers' loyalty, with the former believed to result from the product and service quality [10].

4.2 Weakness

Unfortunately, although the customer feedback has been agreeable, Haidilao Hotpot suffers from a low return on its investment. Besides, within the brand, the organizational culture that encourages turf wars among departments can lead to potential instabilities and limitations for future developments. Under the brand philosophy of delivering happiness on the table, Haidilao Hotpot has been going so far as to ignore the interests and concerns of external stakeholders, which can give rise to problems in public relations [8].

4.3 Opportunities

Haidilao focuses on "thousands of people and thousands of flavors", which means that Haidilao will satisfy every customer's taste. There are 13 kinds of soup bases to choose from. Consumers can choose different degrees of spiciness and concentration according to their needs. Haidilao customizes pot bottoms by adding or subtracting raw materials [11].

4.4 Threats

The COVID-19 pandemic has led to a downturn in the whole real economy and changes in consumer spending habits. The decrease in consumption enthusiasm caused by the increase in people's living pressure has had an impact on Haidilao's revenue. Moreover, consumers' consumption habit of preferring online consumption weakens Haidilao's competitive advantage centered on high-quality services.

In the context of COVID-19, Haidilao should strengthen online ordering and services to reduce the impact of COVID-19 on traditional restaurants. Haidilao's advertisements are rarely seen at home and abroad, and Haidilao needs to expand its publicity in advertising. And continuous content marketing publicity on WeChat public accounts, little red books, and Tik Tok to attract more people to the store experience. In addition, in this special period of COVID-19, Haidilao should adopt a prudent marketing strategy, not blindly expand, and maintain price stability

5. Conclusion

The COVID-19 pandemic has dampened enthusiasm and changed people's spending habits. China's strict coronavirus management policies have severely curtailed market demand. Shrinking market demand leads to reduced revenue and indirectly triggers layoffs. Consumers' enthusiasm for spending is severely dampened by negative income expectations. And strict stay-at-home policies make people more likely to spend money online. Haidilao, a traditional restaurant that focuses on offline dining, was also affected by the decline in revenue. Based on the theory of consumer behavior, this paper analyzes Haidilao's marketing strategy, financial situation, advantages, and disadvantages since the outbreak of the epidemic by using case studies and literature research methods.

Haidilao has gradually developed into a large enterprise chain store, and its differentiated core competitiveness has made great contributions. Haidilao puts the needs of customers first place. Maybe the food is not the most delicious, but its service is the most perfect. Haidilao takes almost all the needs of customers into consideration and makes people feel like they have returned home. Customer service strategy: Treat customers as God and employees as family. Under the influence of this marketing strategy, although Haidilao's labor cost is twice that of similar restaurants, Haidilao is still at the forefront of the industry. However, the wrong aggressive marketing strategy of Haidilao's "countercyclical expansion" made Haidilao's stock price and financial situation suffered a blow.

As this article only analyzed Haidilao by case analysis method, without comparing it with other catering enterprises' business conditions and marketing strategies under the epidemic situation, it was not comprehensive enough in thinking and lacked reference for other enterprises' excellent strategies. In the future, the author will compare and analyze the stable development of catering enterprises and Haidilao during the COVID-19 epidemic. The author hopes to find out what marketing strategies the catering industry should adopt to cope with the impact of COVID-19 on the market through comparative analysis.

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