# Analysis of Haidilao's Business Model Based on the Commercial Canvas Theory

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**Abstract.** With the improvement of the economy and national living standards, the proportion of hot pot in the catering industry has also increased accordingly. People's satisfaction with the catering industry has become an important symbol of the development of China's catering industry in the new era. Haidilao is a well-known enterprise in the hot pot catering service industry and a leader in the industry. Therefore, based on the commercial canvas theory, this paper makes a more comprehensive analysis of the business model of Haidilao. Through analysis and summary, this study concludes that the advantages of Haidilao's business model lie in the value proposition of customer first, thoughtful service and relatively perfect human resource management system, as well as the strong membership mechanism and the high unit price of dishes. Haidilao also uses personalized service and is very innovative in its marketing strategy and membership system. This study also puts forward corresponding suggestions for the shortcomings. This paper suggests that Haidilao should strengthen personal brand image management and actively undertake corporate social responsibility.

**Keywords:** Haidilao, commercial Canvas, staff management.

## 1. Introduction

In the outbreak era, economic development and national living standards gradually improve under the dual stimulus, China's catering industry opened up a new stage of high quality development, the new era of residents of a better life diet demands has changed from eat to eat good, in the popular has occupied more than 85% of the industry pattern of catering market, people satisfaction has become an important measure of the new era of China's catering industry development. So, in the catering for good catering services, high satisfaction of the people has always enjoyed a good reputation in Haidilao. Haidilao is a hot pot brand, hot pot is a relatively special category in the catering industry, is the first segment of the catering industry, accounting for about 13.7% of the total catering market. Hot pot has the characteristics of casual form, warm atmosphere, rich and diverse raw materials, and fresh and healthy ingredients. Customers can adjust the taste according to personal preferences and choose the ingredients and dipping materials for collocation. To cater to different regions, different tastes of consumer needs. And the way of dining has its own social elements, very suitable for friends and other social occasions, loved by the public. This paper takes Haidilao as the research object to analyze its business model development and challenges and provides some reference by exploring the development strategy of catering companies, the improvement and innovation of their business model. Enrich the current research on the catering industry. Through the analysis of the commercial canvas of Haidilao, it is beneficial to clarify the business model at the present stage, so as to explore how the catering service industry can develop better and provide the decision-making basis for the development of catering companies.

This paper combines the actual situation of Haidilao Holding Co., LTD., for a more comprehensive analysis, through the analysis of the commercial canvas model, summarizes the advantages and shortcomings of the business model of Haidilao suggestions. This paper mainly adopts the theoretical data analysis and the actual situation of the combined research method, through understanding the actual situation of enterprises, to find out the practical problems faced by the enterprise operation and the corresponding solutions, hoping to provide valuable reference for the further development of enterprises with the catering industry.

## 2. Brand Introduction

In the cold winter of 1994, Zhang Yong and three other school classmates raised 8,000 yuan to open a hot pot restaurant on Shizhi Street in Jianyang, Sichuan province. Zhang Yong, the founder of Haidilao, said that he did not understand the soup, did not understand the ingredients, and the location was not chosen well. Want to survive, only a better attitude, what the guests want faster, a little more. Because at the beginning of their business, they almost never recruit people. The four people are both bosses and employees, working personally as waiters and cashiers, serving tea and water every day, and doing everything right. Also because of many years of experience in the front line, Zhang Yong gradually figured out a set of unique hot pot restaurant management methodology. After more than 20 years of development, Haidilao International Holding Co., Ltd. has grown into an internationally renowned catering enterprise. As of December 31, 2022, there are 1,349 Haidilao restaurants in Chinese mainland, and 22 in Hong Kong, Macao and Taiwan. Haidilao restaurants in Greater China serve more than 276 million customers and more than 116 million registered members. Haidilao over the years after the market and customer inspection, successfully created a high reputation, the integration of the hot pot brand. As a large chain catering enterprise with business involving the world, Haidilao adheres to the concept of honest management, and takes improving the stability and safety of food quality as the prerequisite, to provide consumers with more intimate services, healthier, safer, more nutritious and more assured food.

## 3. The Business Model of the Enterprise

### 3.1. The Classic Business Model of Haidilao

The classic business model is the "721 fission" store expansion.721 represents the shareholding allocation, 7 is 70% of the headquarters shareholding, 2 is 20% of the chain store manager, and the remaining 10% is the equity reward for the old employees to train new employees. The headquarters and the store manager jointly invest, and the employees according to the incentive mechanism [1]. As long as the performance target is achieved, employees can get benefit dividends. If the old manager actively trains the new store manager, when the new store opens, the old manager can get a 10% dividend. Promote the store manager and the interests of the store linked. Using such a partnership model can first change from the traditional employment system to the partnership system. The mentoring system is adopted, because part of the income of the store manager comes from the profit sharing of the apprentices, so the master will give them everything, explaining that altruism is selfish company holds 70% of the shares [2]. There is also absolute control, to solve the holding issue. The legal representative of the store has the store manager, which reduces the risk of the boss to a certain extent.

### 3.2. Based on the Commercial Canvas Analysis

#### 3.2.1 Customer segmentation

Haidilao is a Chinese hot pot-based catering enterprises. According to Haidilao's market positioning and user research, its main customer groups can be divided into the following categories: individual customers and enterprise customers. Individual customers are divided into (1) young people: Haidilao is mainly consumed by young people, these young people usually pay more attention to the quality and taste of food and like to try new catering brands. (2) Family and friends gathering: Haidilao pays attention to the interactivity of dining places, so it is suitable for family and friends parties. In this situation, consumers can enjoy the feeling of food and reunion. (3) Online consumers: Haidilao also provides online food ordering service. The service is convenient and quick, suitable for consumers at home or in the office, who can place orders on their mobile phone or computer and send the food directly to their home or office. (4) Business meetings: Haidilao also provides business banquet services. Make business meetings more successful by meeting business needs with customized menus and a unique dining experience. (5) New concert mode: in the first half of this

year, the concert recovery and the arrival of summer vacation, a large number of fans spontaneously went to Haidilao after the concert for the second "Haidilao Concert Night" to let fans continue to have fun in the meal [3]. Then enterprise customers are mainly to provide other food products base materials, ingredients, manpower, decoration and other services. Through such customer segmentation, Haidilao can accurately implement the marketing strategy. It creates free nail appointments and hand care for young people. For family gatherings, a children's entertainment area is established, with special personnel for care and service, and parents can also observe the state of their children on the iPad. There is also a free scrub leather shoes service for men. Online consumers have opened a special takeout service, and Haidilao delivers it by itself to keep the maximum degree of clean and fresh. In-depth insight into consumers one person food, two people food needs. Expand the lightweight, miniaturized youth consumption scene. The quiet atmosphere of the private room is also very suitable for business banquets.

### 3.2.2 Important partners

The important partners are Yihai International, Shuhai Group and Shu Yun East. The bottom material is the core of hot pot. As the bottom material company of Haidilao, Yihai International is a company mainly based on the research and development, production and sales of Haidilao series condiments. It is a relatively important partner. Shuhai Group is a supplier of food materials and is a catering supply chain service enterprise integrating sales, research and development, procurement, production, product protection, storage, transportation, information and gold. Shu Yun East is mainly responsible for the decoration.

### 3.2.3 Key business

Haidilao's key business is the operation of hotpot restaurants, providing catering services and product retail. The main business is the Sichuan flavor hot pot, the integration of local hot pot characteristics as one of the large inter-provincial direct camp catering brand hot pot restaurants. In terms of catering service, Haidilao hotpot is famous for its unique service concept, which brings "full of joy" experience to customers. With the service concept of "making every guest feel warm" as the core, making every guest feel at home in the restaurant. Haidilao hot pot service specialty is the full-service type of hot pot catering and folk craft performance. There are also some products about the brand of hot pot bottom material and dipping material retail, Haidilao hot pot bottom material and dipping material unique flavor, delicate and rich taste. Haidilao also has different flavors of self-heating hot pot, both delicious and convenient and fast.

### 3.2.4 Value proposition

The first value proposition is customer first. Haidilao has always adhered to this service concept, putting customer needs and satisfaction in the first place, from product quality, service attitude or environmental hygiene, always taking customer needs as the starting point. The second value proposition of maintenance is teamwork. Encourage employees to help and support each other, and they can complete the team cooperation tasks perfectly. Use strong service to improve customer satisfaction [4].

### 3.2.5 Customer relationship

Haidilao issued coupons for college students with 69% discount on weekdays and 88% discount on holidays to maintain the relationship between college students. He will communicate with customers from the standpoint of its customers, and at the same time, Haidilao Company will also expand its corporate customers with a strong chain brand effect. Haidilao divides its customers into four levels and sets rules for upgrading and grading members, so that different customers can enjoy their proprietary services. Haidilao provides exclusive activities for the most contributing Black Sea members, which can get birthday gifts and conduct remote network numbers, so as to encourage customers to increase their consumption [5]. Membership system can enable consumers to enjoy consumption premium and personalized services, so as to maintain a long-term relationship with [6]

### 3.2.6 Core resources

Haidilao has a complete staff management system, employee compensation is generally higher, not only has the spirit of motivation, development incentive and performance appraisal incentive, but all kinds of incentives also make employees of Haidilao management mode, thus improving the work enthusiasm and job satisfaction, and improve the happiness of haidilao employees [6]. This is the result of the matching of personal values and organizational values, and at the same time, the personal ability of employees has also been greatly improved [7].

### 3.2.7 Channel and access

Haidilao currently has 1,435 direct restaurants, and the scale of development is still expanding [8]. Haidilao's channels are mainly divided into offline and online two parts, offline for direct stores and franchised stores. Online is divided into food delivery platform and e-commerce app platform. E-commerce platforms have opened official flagship stores on Tmall and Jingdong for sales. In TikTok, Kuaishou and other platforms for anchors with goods sales. Haidilao also through the Haidilao public number for peripheral products such as hot pot base material, self-heating hot pot sales.

### 3.2.8 Cost structure

The cost structure of Haidilao is the cost of food materials, labor cost, marketing cost, logistics and warehousing cost, product research and development cost and shop rent cost. In the cost structure, the cost of food materials and staff costs account for a large proportion. In 2021, the cost of raw materials and consumables of Haidilao was 17.977 billion yuan, accounting for 43.7% of the total revenue, and the employee cost was 14.875 billion yuan, accounting for 36.2% of the only two items, which consumed 80% of the revenue of Haidilao [9].

### 3.2.9 Source of income

The revenue source is divided into four parts: restaurant business, takeout business, condiment and food material sales and other parts. According to the financial statements of Haidilao in 2023 (figure 1), the author can conclude that the total revenue is 18.886 billion yuan, of which the restaurant business is 18.040 billion yuan, accounting for 95.52%. The food delivery business was 471-million-yuan, accounting for 2.5%. Sales of condiments and food ingredients reached 370 million yuan. For 1.96%. Others accounted for 0.02%. Through the analysis of the income sources, Haidilao is indeed a brand that started with service, and the restaurant business accounts for the most important part. It shows that most customers like to go to the store to eat hot pot, such food is not only fresh and can enjoy the almost perfect service of Haidilao. By contrast, the delivery business and other product sales are less attractive.

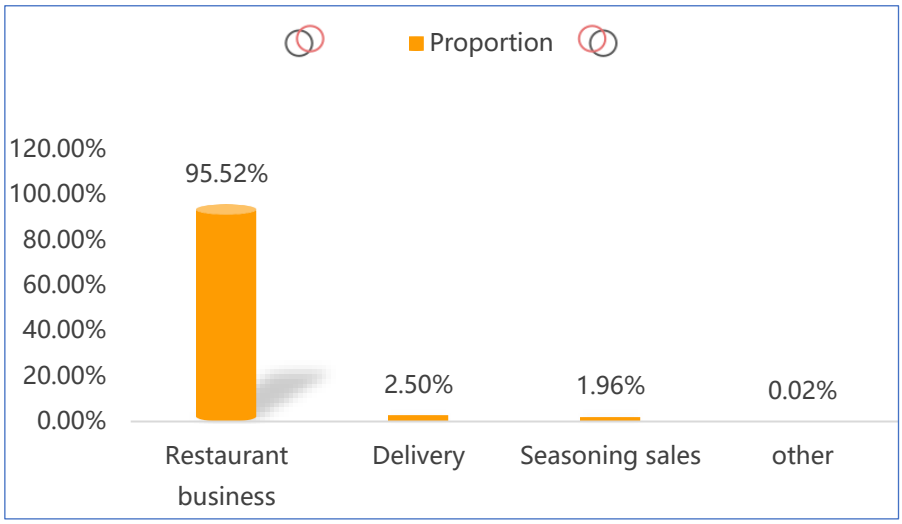



**Figure 1.** Haidilao's Mid 2023 Financial Statements [10]

# 4. Analysis of the Business Model's Problems and Suggestions

## 4.1. Membership Mechanism Problems in the Service

The membership mechanism of Haidilao in its service is too detailed, which leads some customers to reflect the violation of personal privacy. Recently, netizens revealed that Haidilao privately labels customers in the membership system, which mainly includes physical characteristics and personality needs. Other customers were labeled as "I like to complain on the APP". Haidilao customer service said this is an internal system, not convenient to reveal, the label does not support their own modification. Some customers said that the store manager after the label was sorry and gave the gift compensation. For most food and beverage brands, the sales growth is often mostly from "repeat customers", so for these brands, the short-term traffic exposure is important, but the long-term differentiated brand culture running through the marketing link is more important.

In order to make consumers have a good impression on the brand in the first consumption, one is to rely on the hard power of the product, the other is to rely on the quality of service. Because there is no absolute standard for hot pot taste. In fact, the internal mechanism can better let the staff to the customer's taste service. But at the same time, it will make customers feel a little violation of privacy, so the service staff can ask the customer to choose the label when the customer orders and log in the account, such as the preference of the pot, the dipping material, and whether other services are needed during the meal. Establish a personal preference mechanism for the customer's choice of the label. In this way, customers can effectively avoid the belief that private labeling is such a bad behavior for the enterprise.

## 4.2. Suggestions

Haidilao, first of all in the personnel service to be meticulous, do not appear mistakes. Classic dishes will be retained, sales are poor but some popular dishes will be retained, and innovative research and development of local dishes. As for the problem of high product price of Haidilao, the author believes that the most important goal of Haidilao now is to attract consumers to increase customer flow, so Haidilao can reduce the price of some dishes often ordered by consumers appropriately, so as to attract consumers to place more orders and increase sales. The main cause of improving the social responsibility awareness of Haidilao enterprises and the occurrence of rats in the kitchen of Haidilao enterprises is the lack of social responsibility, so it is necessary to improve the overall quality of employees and establish a social responsibility management mechanism [11].

# 5. Conclusion

In the development of China's market economy, Haidilao has a huge advantage in the catering service. This paper takes Haidilao hot pot as the research object, analyzes the business model canvas of Haidilao enterprises, and finds the advantages. It has a detailed division of customers, always adhere to the customer first value proposition. It has a perfect human resources management mode to manage employees, it uses personalized service, to serve customers, in marketing innovation, membership system, and other aspects have many advantages. But at the same time, it should also combine with the current development to improve the service and membership system. This paper also puts forward some suggestions for this purpose. In the face of the problem of labeling the membership mechanism system, the research suggests that Haidilao should support customers to choose their favorite personality labels and establish a personal preference mechanism. Secondly, this paper also puts forward some suggestions for the development of Haidilao's brand image. It can solve the problem of high food prices to retain customers. It should also improve its corporate social responsibility and improve the quality of employees to make healthy and safe food, so as to escort consumers. This paper studies the experience of Haidilao in catering service, which will have a profound impact on the industry. It can bring theoretical reference significance for enterprises to promote the development and progress of enterprises. Due to the limitations of objective conditions,

this study did not enter the enterprise to conduct in-depth research and obtain first-hand data. Therefore, further research and analysis can be conducted on the basis of this study in the future.

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