

Strategic Management Analysis of Haidilao

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Abstract. In recent years, with the economic and social development, the development momentum of the catering industry continues to be hot, and at the same time people's consumerism and other major changes are also taking place. And in 2020 China's catering industry by the impact of the new crown virus, the development of a serious obstacle, the competition is more intense. The development strategy of catering industry enterprises has become a problem that deserves attention. As a successful model in the catering industry, Haidilao Company enjoys a high reputation among the crowd, but it also faces some development difficulties. This paper takes Haidilao Co., Ltd. as the research object, firstly introduces Haidilao's company profile and current development strategy, and analyzes the enterprise's strategic management method using Porter's Five Forces model and SWOT analysis method. Finally, according to the analysis of the content of this paper puts forward to promote product innovation, strengthen the diversification of development, strengthen the quality management and strengthen the construction of corporate culture and talent training and other recommendations, hoping to provide a certain reference for the Haidilao or catering industry practitioners.

Keywords: Strategic management, Porter's five forces analysis, SWOT analysis.

1. Introduction

With the rapid development of China's economy and society, the catering industry has become an indispensable part of the people's life consumption scenario, and an important force in boosting the domestic consumption market. According to data from the National Bureau of Statistics, China's catering revenue in 2019 amounted to 4,572.1 billion yuan, an increase of 94% year-on-year, pulling the total retail sales of consumer goods up by 1 percentage point. After years of development, Haidilao Co. has gained considerable acclaim in the catering industry and is popular among the masses by utilizing its unique marketing strategies as well as management methods.

In recent years, the catering industry is highly competitive, the hot pot industry is in fully competitive market conditions, the market share of hot pot brands is constantly divided, and the era of high profits is gradually becoming a thing of the past. The new crown pneumonia epidemic in 2020 has led to a great decline in the revenue of the catering industry as a whole, in which Sichuan Haidilao Group Catering Co. made an annual net profit of 309 million yuan, down 86.8% compared with 2019.

Therefore, this paper analyzes the strategic management of Haidilao enterprise, and puts forward certain suggestions on the future development strategy of the enterprise, hoping that it can have certain inspiration and warning for the subsequent development of the enterprise.

2. Overview of Haidilao and current development strategies

2.1. Company profile

Established in 1994, Haidilao is a chain brand that mainly operates Sichuan hot pot, and its founder is Zhang Yong. On March 25, 1994, Haidilao Hot Pot City was officially opened in Jianyang City, Sichuan Province. On May 17, 2018, Haidilao submitted a listing application on the Hong Kong Stock Exchange. Haidilao has a chain of stores in many cities, and what it values is not only the quality of the hot pot, but also the humanized service and care. With "innovation" as the core, the company has completely changed the traditional service mode and advocated personalized service, and is committed to providing customers with "intimate, warm and comfortable" service.

2.2. The current situation of strategic management in Haijiajiao

2.2.1. Strategies for differentiation

Haidilao is the world's leading mid-to-high-end hotpot catering brand, and is currently the enterprise with the highest degree of chaotization in China's hotpot industry. Based on the characteristics of the chain restaurant industry, such as high cost of labor, materials and rent, as well as high substitutability, in order to avoid falling into the vicious circle of price war, Haidilao relies on differentiation strategy based on the catering market, which empowers the expansion of new business and diversified development. Haidilao shapes the corporate values that pay more attention to the employees, and makes an article on the service process, putting more attention on how to be able to answer customers' questions quickly and how to make customers feel that we respect them and pay attention to their problems.

Although Haidilao's high-quality service has earned it a reputation and captured a wave of traffic dividends in Internet marketing, the competitive advantage of Haidilao's service differentiation strategy has been fading in recent years as other hotpot restaurants have made strategic innovations. Taking Loyal King as an example, it has shifted its target to white-collar consumers, strategically cooperated with boutique supermarkets and large convenience store chains to enhance its offline retail layout, and will also sell ready-to-eat products in its restaurants across the country. Nowadays, Haidilao's "excessive service" has also been criticized by netizens, making people question whether the "service +" strategy it has been emphasizing is still applicable.

2.2.2. Diversification strategy

Diversification strategy refers to the business practices of enterprises that offer or produce a variety of products or services. A diversification strategy is conducive to fully tapping the internal resources of an enterprise, diversifying the scope of its business and profiting from a variety of sources. The vertical diversification strategy implemented by Haidilao has been clearly defined and rarely involves unrelated industries. Under this premise, Haidilao has established a green industrial chain from the planting, breeding, packaging and transportation industries to the catering industry. This strategy allows Haidilao to save costs while ensuring product quality and can also be considered as a cost leadership strategy.

However, in 2020, Haidilao continuously broke out "plastic chicken rolls", "chopsticks appear E. coli group failure" and other food safety incidents, these negative public opinions make Haidilao brand image is seriously damaged, people's confidence in the quality of Haidilao products has also declined. These negative public opinions have seriously damaged the brand image of Haidilao, and people's confidence in the quality of Haidilao products has also declined.

2.2.3. Expansionary strategies

Another major strategy of Haidilao is to expand massively and carry out chain operations. Founder Zhang Yong stated that the company was going to grow at an average annual rate of about 30%, but in fact, after the IPO, the Haidilao Group has been maintaining an average annual expansion rate of more than 55%. As shown in Figure 1, as of 2021, in the store expansion plan, Haidilao expanded from 273 in 2017 to 1,443 in 2022. In five years, the number of stores has quintupled. From 2018 to 2022, the annual growth rate of Haidilao's global stores is above 55%.

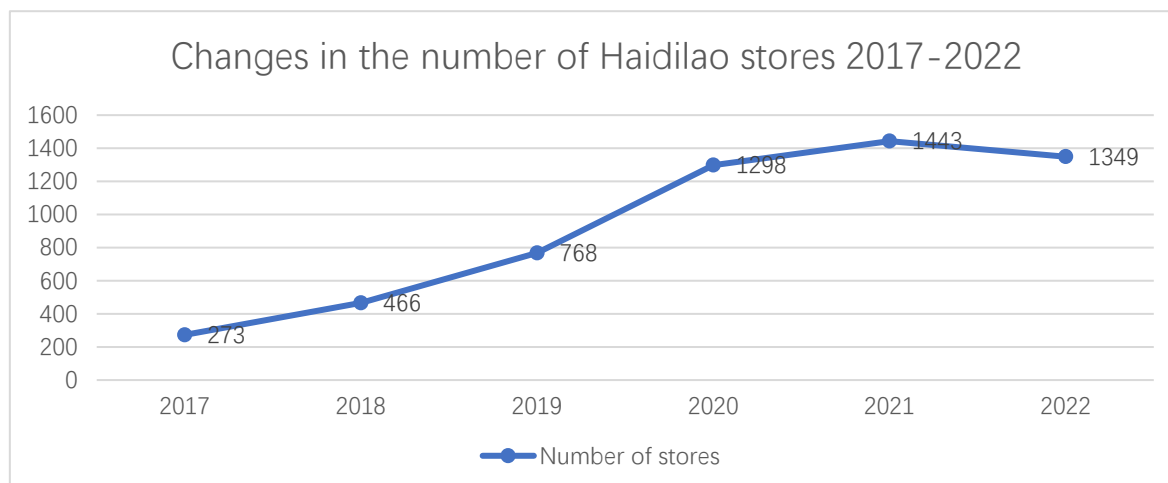


Figure 1. Changes in the number of Haidilao stores 2017-2022

Zhang Yong, the founder of Haidilao, admitted at the shareholders' meeting in June 2021 that Haidilao's large-scale expansion strategy had serious mistakes. Recently, Haidilao released a strategic contraction announcement, planning to gradually shut down about 300 stores with less-than-expected operation by the end of 2021, and at the same time launching the "Woodpecker Plan", which emphasizes the restoration of the regional management system and the narrowing of the management radius, so as to better serve, support and optimize each specific store.

3. Analysis of the strategic environment of Haihaisao

3.1. Five Forces Model Analysis

3.1.1. Bargaining power of suppliers

First of all, hot pot has a great demand for raw materials, and it is likely to become an important customer of some supply companies, meanwhile, hot pot uses a wide range of raw materials, and it will not rely on a supplier to a large extent. Secondly, Haidilao has four large-scale logistics centers and one raw material production base, which is large-scale and strong, and it can be said that the ability of self-satisfaction demand is very strong, then the dependence on external conditions will become smaller. Therefore, the supplier side has less influence on Haidilao and has weaker bargaining power.

3.1.2. Bargaining power of consumers

Hotpot variety, easy to eat, can meet the needs of people of all tastes and consumption levels, so it is very hot in the catering consumer market, and the development of hotpot enterprises has been getting better and better in recent years. Haidilao as the hot pot industry's leading enterprises, through years of accumulation and personalized service, in most areas of the country have a very high brand awareness, has many loyal consumers, through the Haidilao stores queuing phenomenon, the bargaining power of consumers is relatively weak. Of course, with the rise of other brands and the massive expansion of Haidilao, the recent consumer bargaining power has increased.

3.1.3. Threat of potential entrants

The learning curve of the industry is not significant due to the low start-up requirements of the hotpot industry and the fact that the basic model of today's restaurant industry is fixed and does not require a lot of people in different positions and the proficiency does not significantly increase the value. Moreover, as the restaurant industry remains hot today, more and more competitors will enter the market and the threat of potential entrants is real.

3.1.4. Threat of substitutes

With the development of social economy and the improvement of people's living standard, people's consumption level is getting higher and higher. There are more and more choices in diet, and many people are willing to try new ways of eating and new flavors. The main alternatives to hot pot are fast food, western food and so on. In recent years, the profit of hotpot industry is gradually declining, the main reason is the lack of innovation and product homogenization is serious, so the substitutes have a greater impact on the hotpot industry.

3.1.5. Degree of competition from competitors in the industry

Hot pot industry in recent years has been a large-scale development, chain expansion momentum is strong, and the seabed fish service, product content close to the new brand also continues to emerge in the growth. Haidilao's main competitors in the same industry are gluttonous feeding, Liao Wang, Little Sheep and so on, the internal competition in the hot pot industry Haidilao is still in an advantageous position, but it is still very intense.

3.2. SWOT analysis

3.2.1. Strengths analysis

The brand formed in this long-term business history is a valuable intangible asset belonging to Haidilao Company. The brand name of Haidilao means warm and considerate service, fresh ingredients and stable flavor, which has become the first choice of consumers to eat hot pot. Meanwhile, Haidilao has a mature supply chain and technical support after a long period of accumulation. In the same time, Haidilao has unique business philosophy, talent mechanism and management style. They pay attention to the essence, have more than the pursuit of profit, have the management style and talent mechanism that can fully release the productivity. Considerable salary and humanized management fully mobilize the enthusiasm of employees, strengthen their loyalty and sense of belonging, which also provides a guarantee for the pursuit of the ultimate service of Haidilao.

3.2.2. Analysis of disadvantages

Too many stores make it difficult to manage. Haidilao Company adopts the chain self-operated mode, as the company carries out strategic expansion, its stores are more and more, expanding stores, not only means the expansion of scale, but also means the change of structure. Under the special stage, the rapid expansion strategy also shows deeper internal management problems in a more concentrated and faster way. And the core of the catering industry is still the taste of the product and the price, Haidilao choose another way to service and experience to win, but still cannot completely exclude the disadvantages brought about by its insufficiently inexpensive.

3.2.3. Analysis of opportunities

With the development of the economy and the acceleration of urbanization, people's consumption patterns and concepts have also produced a great transformation, people pay more attention to spiritual enjoyment, the pursuit of higher quality. In the catering industry is reflected in the people will tend to choose a good environment, good service place to eat, the price is put in the second place to consider. Haidilao is doing is high-quality catering, its product quality, service is very special, dining environment first-class, precisely in line with the needs of most consumers in this era. Meanwhile, due to the new crown epidemic, the catering takeaway market is growing fast, and the takeaway service has brought a new breakthrough to the consumption of hotpot catering industry. Haidilao started earlier and more mature in takeaway, which is very helpful for it to seize the opportunity to occupy the market of hotpot takeaway first.

3.2.4. Threat analysis

In recent years, the competition in the catering industry is intense, the hotpot industry is in the fully competitive market conditions, the profit margin is shrinking, the market share of hotpot brands is constantly divided, and the era of high profit is gradually becoming the past. At the same time,

Haidilao's biggest feature service can be easily imitated by competitors, thus offsetting its service advantage and losing its core competitiveness. Some catering enterprises have frequently exposed food safety problems, which has aroused the great concern of the State, and in order to completely eliminate or minimize the occurrence of such situations, the State has promulgated relevant laws and regulations, and the food safety supervision system has become more and more stringent. Haidilao is also frequent food safety incidents, its in 2020 due to food safety problems have not been properly resolved and repeatedly on the microblogging hot search, negative public opinion pressure is huge, which for the main reputation and service of Haidilao great impact.

4. Recommendations

4.1. Promoting product innovation

Haidilao is famous for its service but nothing special in taste, as a catering enterprise, if its taste does not have complete competitive advantage, and the service way is easy to be imitated by the counterparts, relying solely on the differentiation strategy, Haidilao's advantage will gradually weaken. Therefore, Haidilao to cope with the unpredictable market demand, should constantly increase the investment in product innovation, and strive to form their own certain competitive advantage in product flavor. At the same time, Haidilao can develop intelligent robots and new technology restaurant, control labor costs at the same time to enrich the customer's dining experience, enhance corporate reputation.

4.2. Implement appropriate contraction strategies

In how to large-scale snowball expansion at the same time, to protect the quality and service quality, is all the chain of net red restaurant brands face problems. 2021 first half of the loss of Haidilao not only has the impact of the epidemic, but also with a large number of new stores last year did not play the effectiveness of the store is still a large number of expenditures related to operating costs, and in recent years, Haidilao frequently appeared in a variety of events, but it may be the expansion of the stores to manage the management of talent and management capabilities Difficult to keep up. Therefore, Haidilao should implement appropriate contraction strategy, which will help Haidilao to adjust and develop smoothly in the long run.

4.3. Strengthening quality management

Food safety is the lifeline of the catering industry, and Haidilao, as a leading company in the catering industry, has received focused attention from the market in all aspects. In recent years, similar food safety incidents have occurred frequently in Haidilao, which undoubtedly significantly increases the quality cost of its daily operation. Haidilao should strengthen supervision in the food procurement, food processing links and service process, and repeatedly check in every detail to truly achieve accuracy. At the same time of strengthening quality management, Haidilao can also provide technical support for online public opinion management based on big data, and build an internal online public opinion management model together with a third-party enterprise, including public opinion monitoring, analysis and prediction, so as to reduce the risk of negative public opinion.

5. Conclusion

This paper introduces the basic situation of Haidilao Co., Ltd. and the current development strategy, analyzes the industrial environment of Haidilao through the Porter's five forces model, and analyzes the strengths, weaknesses, opportunities and risks of Haidilao through the SWOT analysis, and puts forward five recommendations for the content of the analysis: to promote the product innovation, to strengthen the diversification of the development, to carry out the appropriate contraction strategy, to strengthen the quality management, and to strengthen the construction of corporate culture and talent

cultivation. The five suggestions for the future development of Haidilao and other companies of the same type, we hope to provide a certain reference.

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