

Business Model Analysis and Evaluation of Hotpot Catering Industry ——Taking Haidilao and Xiabu Group as examples

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Abstract. Hotpot is a form of catering that has existed for thousands of years in China. Under the background of rapid development in China, the hot pot industry has created a solid market with traditional cooking technology and rich innovation mode and has become one of the important forces in China's catering industry. In the face of fierce market competition, the correctness of the business model often determines the development path of enterprises. To evaluate the impact of different business models on the development of the food and beverage industry, this paper compares the business models of Haidilao and Xiabu Group, analyzes their business models, feedback data, operation strategies, and marketing methods, and evaluates the development prospects of the two models according to the analysis results.

Key words: Haidilao; Xiabu Group; Hot pot; Business model; Data analytics.

1. Introduction

Catering has always been a rigid demand. Hot pot, as a form of catering, is not only rich in traditional Chinese characteristics but also relatively simple in consumption form and operation process compared with most Chinese restaurants, which makes it easier for the hot pot catering industry to form standardized dishes and quality control, thus having obvious advantages in chain operation. Therefore, as an important force that can compete with foreign fast food brands from overseas, the hot pot catering industry has developed rapidly by relying on its advantages, and many familiar brands have emerged. Since the end of the 20th century, brand awareness in China's catering industry has gradually increased, and the competition between brands has become more and more big(Xiangyun, Yongliang, 2006). However, although the COVID-19 pandemic has had a huge impact on the catering industry, it has also accelerated the process of digitalization and branding of the catering industry. This paper will focus on the comparison and analysis of two well-known brands, namely Haidilao and Xiabu Group.

Founded in 1994 in Jianyang City, Sichuan Province, Haidilao is a chain brand mainly engaged in Sichuan hot pots. Due to the high demand for single-store profits and strict control of in-store service and quality in the early stage of enterprise expansion, Haidilao has been operating and managing stores in the way of the direct chain since its establishment and has always been famous for excellent service, diversified dishes, and stable quality control. As of June 2023, Haidilao has opened 1,382 offline stores and has also expanded in Hong Kong, Macao, Taiwan, and overseas.

Xiabu Group was founded in Beijing in 1998. Xiabu Xiabu, a "one person, one pot" fast-food desktop hot pot brand, is its main business, and its overall positioning is "faster than dinner, more formal than fast food". Later, Xiabu Group gradually launched its sub-brands, such as Coucou, Joyfully Cooked Pork, and Chai Mi Cha. To control the form and experience of dining in a more standardized manner, Xiabu Group also operates as a direct chain. Since the outbreak of SARS in 2003, Xiabu Group's tabletop hot pot has been quickly accepted and loved by the general public, especially among young people. Up to now, Xiabu Group has opened more than 1,000 stores (including 870 Xiabu Xiabu and 260 Coucou), covering more than 30 provinces in Mainland China, Hong Kong, and Taiwan, and expanding into international markets such as Singapore.

Based on literature review, field research, and market data analysis, this paper analyzes the differences between the two business models in terms of product positioning, expansion strategy, competitive strategy, customer experience, and sustainable development strategy, and evaluates the

effectiveness of the two business models in the face of fierce competition in the current market. How do different business models affect the development of the stores? At the same time, after collecting the profit information of the two enterprises, by extracting the economic coefficients that have a great impact on the profit, the correlation analysis is carried out using SPSS to explore the mutual influence and connection of different economic coefficients within the enterprise. Finally, based on the results of the analysis of the two modes, this paper will put forward some suggestions and strategies for the development of the hot pot catering industry.

2. Comparison of operation strategies

An enterprise's business model cannot be separated from an excellent development strategy. To further analyze the business models of the two enterprises, this paper will carefully analyze the value chain of the two enterprises in this section, and describe the development strategies of Haidilao and Xiabu Group in detail.

Excellent value chain management and control measures can help enterprises maintain competitive advantages in the market by minimizing costs or maximizing value creation. The concept was first introduced by management scientist Michael Porter. According to him, activities within a firm fall into two main categories: primary activities and support activities. Main activities, that is, activities directly related to the transportation, sale, and after-sales of products or services; And support activities, which are used to assist and promote the main activities to make them more efficient.

2.1. Main Activities

2.1.1 Operations

Operation stage, that is, the store from the preparation of dishes to the process of serving dishes on the table. Therefore, this part will involve the comparison between Haidilao and Xiabu Group in terms of various operating expenses, such as raw materials and consumables, staff costs, rent and related expenses, public utility expenses, depreciation, and amortization (Table 1).

Table 1. Comparison of Operating Expenses/1H23

Enterprises	Raw Materials and Consumables	Employee Cost	Rent and Related Expenses	Utility Cost	Depreciation and Amortization	Other Expenses
Haidilao /100million RMB	76.85	57.69	2.00	6.05	15.06	6.83
Concurrent Increase /%	18.7%	8.6%	18.4%	20.5%	11.2%	6.5%
Operating Cost Ratio /%--%	42.7%--40.7%	35.0%--30.5%	1.1%--1.1%	3.3%--3.2%	11.2%--8.0%	4.2%--3.6%
Xiabu Group /100million RMB	10.65	9.30	1.39	0.99	4.46	1.95
Concurrent Increase /%	31.2%	23.3%	3.8%	31.0%	5.9%	13.1%
Operating Cost Ratio /%--%	37.6%--37.4%	35.0%--32.7%	6.2%--4.9%	3.5%--3.5%	22.0%--15.7%	8.0%--6.8%

Data source: Haidilao 2023 interim report, Xiabuxiabu (pooled) 2023 interim report

* Operating cost ratio: A financial ratio used to measure the relationship between a company's expenses in a certain area and its total revenue. In the table, the data is expressed as "1H22 ratio -- 1H23 ratio"

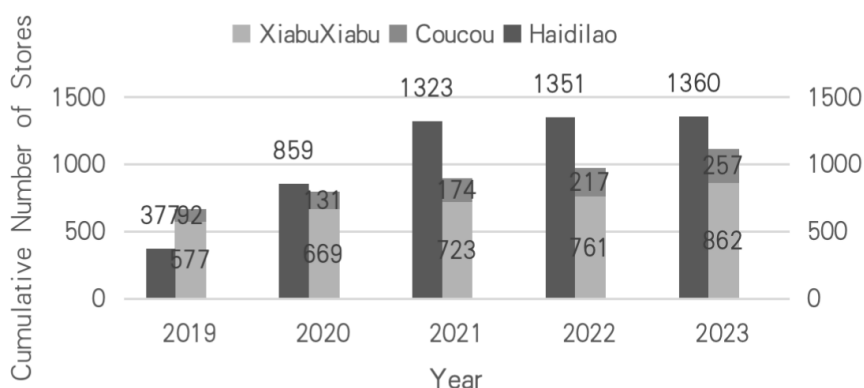


Fig. 1 Cumulative number of stores of Haidilao and Xiabu Group

Data source: Narrow door meal eye WeChat mini program, data up to October 10, 2023

According to the data in Table 1, the overall operating expenditure of the Haidilao Group is much larger than that of the Xiabu Group. This result is because all the stores of Haidilao are positioned as middle and high-end multi-person hotpots, so it will inevitably cause more expenses; Xiabuxiabu, which accounts for nearly four-fifths of the total number of outlets and nearly half of the revenue, is positioned as a fast-food single-person small hotpot, and its demand for raw materials, store space, water, electricity, and gas consumption, and fixed asset costs are not too high. At the same time, the average number of employees in Haidilao is about 120, compared with 25 in Xiabuxiabu and 70 in Caocou, as various aspects of operation require different amounts of human resources. At the same time, Haidilao has a very strict training process for employees and high service requirements, which together make Haidilao's staff costs much higher than Xiabu Group's.

On the other hand, although the operating expenses of both companies increased in the first half of this year compared with last year, Xiabu Group saw a larger increase than Haidilao in raw materials and consumables, staff costs, and public utilities. The two companies have plans for store adjustment and expansion in 2023: as of October 10, 2023, Haidilao has opened 9 new stores, resumed the operation of 24 closed stores, and closed down 18 stores with poor performance; Xiabu Group has opened 101 Xiabu Xiabu stores, 40 Coucou restaurants, and 1 ZhanShao store, and closed 49 Xiabu Xiabu restaurants and 3 casual restaurants. A comparison of Table 2 shows that after two years of extensive expansion, Haidilao has seen a sharp decline in the number of new stores opened since 2022; Xiabu Group's current strategy is to close down stores and open new stores on a large scale, and among the stores for the middle and high-end market, the expansion rate of the "small" stores is particularly rapid, reaching more than 40 new stores per year. As a new middle - and high-end hotpot brand, Coucou continues to accelerate the pace of new launches. At the same time, since Coucou accounts for half of the revenue while only accounting for about one-fifth of the number of stores, more research and development, operation, and marketing costs can be spent on Coucou's stores to get a higher return.

The operating cost ratio is calculated as a ratio of operating cost to revenue, which is intended to show the financial stability and efficiency of a company. Based on the data in Table 1, it can be seen that the operating cost ratio of the two companies has decreased in general, indicating that both companies are exploring better ways to control costs and have achieved success. In terms of rent and related expenses, according to the aforementioned partnership between Haidilao and real estate suppliers, Haidilao has achieved quite good control over rent costs; However, the rapid expansion of Xiabu Group's stores can generate a relatively good potential scale effect, in which the larger floor area brought by the collection of stores and the extremely low closing rate of stores mean more stable long-term cooperation, so that Xiabu Group can always get better lease conditions at the negotiation

table of lease contracts. In addition, Xiabu Group's overall depreciation and amortization operating cost ratio is nearly half higher than that of Haidilao. A big reason for this is that Haidilao has resumed the operation of some shuttered stores as well as many equipment, which has greatly saved depreciation and amortization expenses; Xiabu Group's extensive store closure and store opening strategy led to the abandonment of a large number of old equipment and large-scale capital expenditure, resulting in high depreciation and amortization.

2.1.2 Marketing and Services

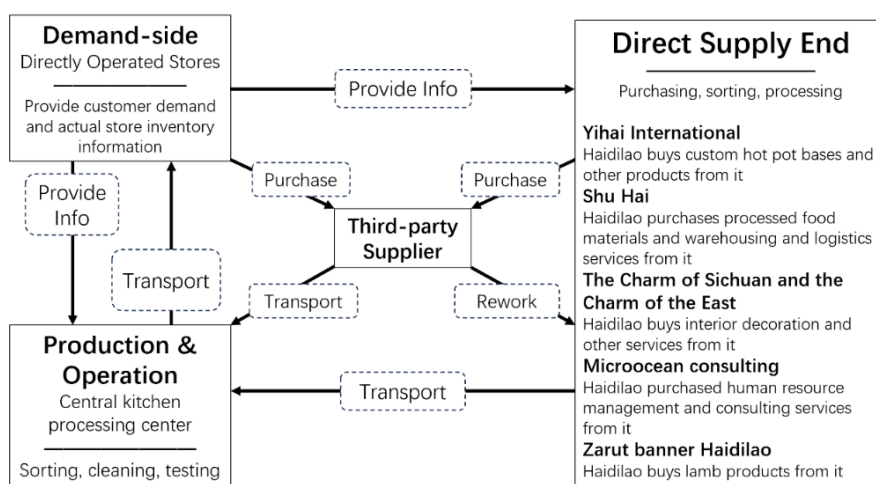


Fig. 2 Flow chart of Haidilao supply chain(Yadan and Tumei, 2022)

In this part, this paper will list the marketing strategies of Haidilao and Xiabu Group respectively. After considering the nature of the catering industry, this paper chooses McCarthy's 4P marketing theory for entry and analysis(Yanghua, 2020). The 4P theory includes four basic strategies: Price, Product, Place, and Promotion to form a closed loop of commercial marketing. The analysis based on the 4P theory can summarize the current measures taken by enterprises in different marketing elements, and help them make a strong purposiveness marketing plan. Since logistics has been sufficiently analyzed in the previous section, this paper will delete the "channel" in this part to avoid overlap. At the same time, this paper believes that the "service" part is used for marketing in the catering industry, so it is discussed together with marketing.

① Price

Since both Haidilao and Chuancai target the middle and high end of the market, with average prices ranging from 100 yuan to 130 yuan, their dishes and products are generally priced higher than the mass-market Xiabuxiabu, whose average price is 65 to 75 yuan, so they have higher gross margins.

However, Haidilao will adopt certain price measures by different consumption abilities and eating habits, such as adjusting the prices of dishes and corresponding menus, to gain competitive advantages in the sinking market and gain greater profits through price discrimination. At the same time, various discount models -- such as a 6.9 percent discount for college students after 10 p.m. every night -- can also enable Haidilao to segment consumer groups and formulate preferential strategies for price-sensitive customer groups while increasing the turnover rate at different peaks.

Xiabuxiabu, a fast-food bar and tabletop hotpot company catering to the masses, has also carefully designed its pricing. Since most of the dishes are for one person, the price of the set meal of Xiabuxiabu is often much lower than the sum of the unit prices of the included dishes. It can also cover meat, vegetables, pot base, sauce, and drinks, which can fully meet the needs of a single meal and is friendly to most consumers(Han, 2016). Xiabu Group sells dozens of types of milk tea at its Coucou store, which is designed to help customers in hot pot restaurants get over their fatigue. The prices are similar to those of tea retailers in the middle and high-end markets, such as Hei Cha and Nai Xue. The low-cost and high-margin products not only attract a large number of consumers but also generate considerable revenue for Chuanchao, which accounts for an average of 20 percent of the store's total turnover.

Products

For the catering industry, products include not only the dishes they prepare for customers but also the products developed by the brand (such as sauces, etc.), the decoration of the store, the service in the store, and other auxiliary facilities besides the catering itself. Since the taste of dishes varies from person to person, and the data of major platforms are not highly objective, this paper will not discuss too much

When Haidilao is mentioned, what cannot be avoided is of course its service quality, which has been highly praised. The Sichuan opera performance service provided by Haidilao in the store, the birthday song wishes provided to the birthday star, and the free manicure service in the waiting area are all the distinctive "products" of Haidilao (Jingya and Ping, 2021). On the other hand, Haidilao has also achieved considerable success in the retail market. Its self-developed sauce and self-heated hot pot have long been popular products in major supermarkets and convenience stores, which have won praise from a large number of consumers.

Xiabu Xiabu's research found that its main sales group has gradually shifted to young people born after 1995, also known as Generation Z (those born between 1995 and 2009). Therefore, since 2020, Xiabu Xiabu's new "LIGHT-POT" store model has been gradually launched in various stores, combining bright Chinese style elements with modern decoration to create a good dining environment, which is particularly attractive to the Z generation. Meanwhile, since Xiabuxiabu serves "one person, one pot" single hotpot, it is much easier for Xiabuxiabu to start its takeout business than Haidilao and Scrabble, and it is also easier to design low-priced single-person hotpot delivery packages

In contrast, Coucou is a very young restaurant brand, so its product line also conforms to the trend of the younger generation. To bring a good sense of experience, Coucouo deeply studies the cultural connotation and social attributes of hot pot and hopes to bring it to the table. Therefore, in the design of the decoration, Coucouo integrates the structure of the teahouse into the dining room and introduces the tabletop hand-shaking tea. At different times, it will set the theme of the store into different catering styles, including dinner, afternoon tea, late-night snacks, and so on, which will attract different groups of people and also improve the turnover rate.

② Channels

Both Haidilao and Xiabu have always operated their stores as direct chains, without involving dealers, distributors, or other stakeholders. One of the characteristics of direct chain companies is that they can directly manage their stores, which enables them to have a deeper understanding of the market and more direct control over the quality of products and services, thus establishing solid customer relationships and making quick adjustments to feedback. Therefore, direct chain enterprises tend to pay more attention to long-term relationships rather than "one-time marketing", to achieve stable and sustainable development (Tiezhuang, 2014).

In terms of suppliers, according to Kazuo Inamori's Amoeba business philosophy, Haidilao has separated various businesses in the industry into independent companies (direct supply side) and established a standardized supply chain integrating production, procurement, and sales. It can be intuitively seen from Figure 2 that Yihai International and Shuhai are all direct suppliers of Haidilao (hereinafter referred to as "direct suppliers"). As a B2B catering service company established by Haidilao in the early stage, the responsibility of the direct supplier is to provide food processing services for major restaurants based on the central kitchen system of Haidilao. In the whole procurement process, for the food materials that do not need secondary processing, Haidilao will directly contact the third-party source suppliers for procurement and send them to the central kitchen for processing; For the food materials that need secondary processing, Haidilao will transfer the information of the required food materials and third-party suppliers to the direct supplier, and the direct supplier will conduct the procurement and secondary processing. All the food materials and equipment required by the stores will be purchased and transported by Haidilao headquarters through this process. This series of practices eliminates the potential agent mark-up and tedious communication steps in the traditional catering supply link, further reduces the loss of raw material transportation (especially fresh), and greatly realizes the cost control in each link of the procurement

and logistics process(Yongfeng, 2016); At the same time, stable and high-quality suppliers will also play a great positive role in the sustainability and product safety of catering enterprises.

Xiabu Group has been exploring and implementing the "agriculture-food connection" since 2008 to make the vegetables served on the table freer and more stable. "Agri-food docking" means that catering enterprises determine the variety and quantity of agricultural products they need to purchase according to their operating conditions and financial status, and then purchase directly from the agricultural products base in the form of orders(Pengfei et. al, 2013). This mode not only shortens the time of food materials from farmers to the table, ensures freshness and reduces the loss of food materials, and limits the time interval of agricultural products from picking to serving on the table to 12 hours(Zhidan, 2013), but also controls the negotiation cost, investigation cost and other costs generated by various intermediate links to the lowest range. As a result, Xiabu Group's supply chain structure is very simple, that is, "farmers - food enterprises - consumers", so Xiabu Group has very strict requirements on its source of channels. In addition, to ensure the relatively stable purchase price of Xiabu Group, as well as the stable annual revenue and profit of suppliers and smooth cooperation, Xiabu Group will sign an annual average price contract with suppliers, that is, Xiabu Group agrees to purchase the food materials and equipment provided by suppliers at a fixed average price, regardless of the fluctuation of market prices. The price in the average price contract usually fluctuates slightly due to the change in market supply, but it will not have a significant impact on the transaction. At the same time, the formulation of the average price contract will help Xiabu Group to better budget and plan procurement expenses, and reduce unnecessary management and supervision costs in the procurement process. At present, Xiabu Group has more than 20 contracted production and supply bases in Beijing, Hebei, Shandong, Inner Mongolia, and other places to purchase food materials, and requires these suppliers to make planting plans according to annual contracts, determine the amount of agricultural products to be picked according to daily orders, and then carry out daily distribution and track the subsequent demand of stores(Cong, 2023).

③ Promotion

Haidilao Group and Xiabu Group, the former opened its first store in 1994, the latter in 1998; The former aims to bring the best service to customers who enjoy hot pot, while the latter aims to break the stereotype of hot pot as "exclusive for dinner". Both have experienced many years of exploration and development with their original intention, making their brand name one of the most influential marketing tools. As well-known O2O catering companies, Haidilao and Xiabu Group have already mapped out their marketing paths.

In addition to the excellent service mentioned above, free manicures, free printing of photos, birthday songs, free small toys, and so on are all the services that Haidilao provides to customers. At the same time, Haidilao's front-line waiters can discount the table in their charge, give dishes, and other high-authority behaviors, so that customers feel at home, and Haidilao's good reputation will use the Internet diffusion speed is extremely rapid characteristics spread faster and faster. A large number of topics, articles, and short videos have become the most effective way to promote Haidilao, making it achieve "low cost - high return" in terms of publicity.

From the very beginning, Xiabuxiabu did not follow the path of traditional hot pots but focused on single-person desktop hot pots. This fresh form of dining is easy to catch everyone's interest. Meanwhile, Xiabuxiabu and its in-store milk tea can both relieve fatigue and attract young people. Taking advantage of the high-speed nature of the Internet, Xiabuu Group can also rely on the communication of "we media" for marketing. Meanwhile, Xiabu Xiabu and Coucou have issued coupons and vouchers on WeChat official accounts, Dianping, Meituan, Ele. me and other platforms to attract potential consumers. At present, due to the uneven distribution of Xiabuxiabu outlets across the country and the fact that Coucou is a newcomer in the restaurant industry, and its publicity is partly due to the influence of Xiabuxiabu, many regions, especially in southern China, such as Guangdong, have very little knowledge about Xiabuxiabu Group. Currently, Coucou has entered the Guangdong market, and due to the difference in eating habits and Haidilao, Miaoxin, and other

brands taking the lead in the market, Xiabu Group can rely on Coucouo to increase its popularity in these regions.

2.2. Support activities

Table 2. Site selection distribution

Brand name	Number of stores in the mall	Number of township stores	Number of outlets in transportation hubs	Number of school stores
Haidilao Hot pot	86.84%	1.4%	0.0%	0.15%
Xiabu Xiabu	72.16%	4.99%	0.23%	0.81%
Coucou	88.72%	1.95%	0.0%	0.0%

Data source: Narrow Door Meal Eye WeChat mini program, data as of October 10, 2023

In the catering industry, support activities refer to those activities that are indirect and not directly related to products or production but are also critical to business operations, generally including infrastructure development and human resources management. These activities usually do not have direct contact or direct interaction with customers, but they play a key role in maintaining the daily operation of the business, improving efficiency, and ensuring the quality of the service provided.

① Infrastructure Development

As can be seen from Table 2, the main stores of both Haidilao and Xiabu are usually located in bustling urban business districts or shopping malls. The more modern overall style in the shopping malls is also more in line with the store decoration and decoration concept of the two enterprises.

To create a better dining atmosphere and more pleasant dining atmosphere, the theme color of Haidilao stores is usually khaki, integrated with modern art elements, and the lighting in the stores is more active and warm. At the same time, all Haidilao stores have introduced modern food ordering systems and intelligent service equipment, each table is equipped with a built-in digital menu plate, and some stores are also equipped with intelligent service robots, which greatly improves the efficiency of food ordering and enhances the dining experience of customers.

Xiabuxiabu, a restaurant brand specializing in one-person hot pots, has more stores in the sinking market than Haidilao and Chuancai. At the same time, because the number of diners in a single meal is relatively small, there are relatively more outlets located in transportation hubs, street shops, and near companies and schools. To create a more comfortable environment suitable for single dining, the store usually adopts a bright and brief decoration style to create a more comfortable atmosphere. At the same time, most stores adopt the "bar table style one pot", providing customers with a unique experience of self-service hot pot rinse.

Coucou, whose name means "gather together, gather together", also attaches great importance to the social experience during dining. To create a more social dining environment, the whole restaurant is usually cool and dark, and a lot of new Chinese decoration is integrated to create a dining place more suitable for communication and banquets. The equipment used is usually the common combination of online and offline ordering and traditional hot pot equipment. It's easy to see that Chuankuo is expanding the social nature of its stores, so it doesn't want to add too many eye-catching elements that will lead to dazzling results.

② Human resource management

Human resources has become a problem that every rapidly developing enterprise must consider. Efficient human resource management not only helps enterprises to form perfect rules and regulations but also can effectively reduce the loss of labor costs, further optimize the allocation of human resources, and improve economic benefits.

One of the characteristics of human resource management in Haidilao is to provide sufficient development opportunities and fair promotion rules for employees. After pre-examination training and admission, each new employee will be required to start from the grass-roots level, and after pre-job training and functional orientation, will be assigned to a more qualified employee for one-to-one

training, so that the new employee can more fully understand the needs of the position. At the same time, Haidilao has developed a service experience manual based on its establishment so far and used it in the assessment standard of pre-job training. Employees can only be officially employed after passing the assessment. In addition, Haidilao will continue to adjust the salary according to their subsequent performance appraisal and gradually adjust the proportion of bonus, performance salary, profit sharing, piece rate salary, and other salaries. Meanwhile, it will give power to the grassroots employees, give them the right to discount or even free orders, and move the revenue out of the personal appraisal, which greatly arouses the enthusiasm of employees. Every Haidilao service staff needs to go through the fixed steps of "registration -- pre-examination training -- pass -- pre-job training -- on-site practice -- assessment -- qualified", and can be promoted smoothly after passing the assessment again and again (Zhihao et al., 2023). In terms of welfare, Haidilao provides each employee with accommodation near the store, education, pension, and other allowances, to provide employees with a positive working environment and enhance their willingness to work hard. However, there are some limitations to Haidilao's human resource management strategy. For example, Haidilao does not require employees' educational background, which may lead to limited space for self-improvement after employees become managers, making it difficult for them to make breakthroughs in work; At the same time, under this premise, it is difficult for old employees to bring out excellent new employees, which may lead to a potential vicious circle.

Xiabu Xiabu is mainly a single-person hotpot restaurant, so its dining style is mostly self-service. As a result, Xiabu Xiabu requires relatively few service personnel in front of the table compared with Haidilao and Chuancai. In addition, with the application of online ordering technology, the service personnel do not have much direct contact with customers, which makes the restaurant's requirements for waiters relatively low. At the same time, due to the overall low gross profit margin, Xiabuxiabu's service training is relatively less detailed. This approach will reduce the expenses in terms of labor costs, but at the same time, it will cause customer dissatisfaction and gradually reduce the return rate. Similarly, as Coucouo is a very young company, and its parent company Xiabu Group has been engaged in single-person hotpot business for a long time, Coucouo lacks experience in personnel training, which leads to a mediocre evaluation of its service quality by customers. If you give up customer traffic to reduce costs, it is not worth the loss. When customers enter a store, they value the whole of the store, namely the environment, service, taste, and price. This paper argues that Xiabu Group needs to strike a balance between these four aspects if it wants to reduce costs. A higher return rate leads to a higher turnover rate, better word-of-mouth, and more profit.

3. Current situation of enterprise operation

Table 3. Business revenue and proportion /1H23

Haidilao		Restaurant business	Takeaway business	Sales of condiments and ingredients	Others
	Revenue / 100 million yuan	180.4	4.71	3.7	0.04
	Proportion	95.52%	2.50%	1.96%	0.02%
Xiabu Group	Sub-brands				
		Scrape together	Xiabu Xiabu	Others	
	Revenue / 100 million yuan	14.02	13.77	0.68	
	Proportion	49.24%	48.38%	2.83%	
	Products				
		Restaurant business	Sales of condiment products	Sales of other goods	
	Revenue / 100 million yuan	27.77	0.45	0.24	
Proportion	97.59%	1.57%	0.84%		

Data source: Haidilao 2023 interim report, Xiabuxiabu (pooled) 2023 interim report

Table 4. Costs /1H23

Haidilao		Cost of sales	Administrative expenses	Finance costs
	Expenses / 100 million yuan	76.85	81.60	1.83
	Proportions	48%	51%	1%
Xiabu Group		Cost of sales	Administrative expenses	Finance costs
	Expenses / 100 million yuan	10.65	16.13	0.44
	Proportion	39%	59%	2%

Source: Financial analysis (quarterly) of China Business Industry Research Institute

Table 5. Market positioning

Business name	Geographic location	Portrait of the customer	Positioning description
Haidilao	Mainly domestic first - and second-tier cities and overseas cities	Customers who focus on service experience, consumers who like social meals, and middle and high-income groups	High-quality, high-service hot pot restaurant chain enterprises.
Xiabu Group - Xiabu Xiabu	Cities in central China, East China, North China, and Northeast China, mainly first-tier and second-tier cities in China	Customers who pursue dining efficiency, young people	Cost-effective popular fast food hotpot
Xiabu Group - Scrape together	Mainly for domestic first - and second-tier cities, overseas cities	Customers who focus on social experience, customers who like hot pot tea, middle and high-income groups, young people	Middle and high-end hotpot gathering places that value emotional communication

Table 6. Location - City Positioning

Brand name	First-tier cities	New first-tier cities	Second-tier cities	Third-tier cities	Cities below Tier 3
Haidilao Hot pot	17.35%	30.15%	21.76%	16.84%	13.9%
Xiabu Xiabu	37.82%	16.94%	17.05%	17.05%	11.14%
Scrape together	36.19%	31.13%	24.51%	3.5%	4.67%

Data source: Narrow Door Meal Eye WeChat mini program, data as of October 10, 2023

In this part, this paper lists the income sources, cost structure, target market, and income statement of Haidilao and Xiabu Group through charts, and lists and analyzes the data in the table.

3.1. Main sources of income

From the business revenue and proportion of the two enterprises (Table 3), it is not difficult to see that for both Haidilao and Xiabu Group, the restaurant business revenue accounts for more than 95%, which is the main source of income for the enterprises. In the case of Xiabuxiabu Group, although it was founded 18 years ago and has only a quarter of the number of restaurants, it will even surpass Xiabuxiabu in the first half of 2023 thanks to the mature supply chain built by Xiabuxiabu Group and the higher revenue brought by being a brand that hits the high-end market.

3.2. Key Cost Components

The main costs of Haidilao and Xiabu Group include sales costs, administrative expenses, and financial expenses. For hotpot catering companies, the cost of sales mainly includes direct costs, that is, the cost of purchasing food materials, raw materials, and seasonings, as well as direct labor costs used to make dishes, such as chefs' salaries; Administrative expenses include all kinds of expenses in the daily operation of the restaurant, such as staff salaries, rent, utilities, equipment maintenance and cleaning costs; Financial expenses are expenses related to fund management and financing activities, including interest expenses, bank fees, loan interest, etc., that is, when there are loans or other financing activities, there will be financial expenses. From the cost and expense analysis (Table 4), it can be seen that the total investment cost of Haidilao Group is much higher than that of Xiabu Group, and the management cost of the two enterprises is greater than the sales cost, among which Xiabu Group invests more in management cost than Haidilao Group.

3.3. Target Market & Market Positioning

Based on the analysis of the target markets of Haidilao and Xiabu Group (Table 5), this paper summarizes the similarities and differences in the market positioning of the two enterprises:

(1) Both Haidilao and Xiabao Group target high-end markets. Haidilao focuses more on the quality of the service itself, aiming to maximize the table-side service, while Haidilao focuses more on the diversity of the service by adding new experiences such as "tea drinking" to the hotpot catering.

(2) Compared with Haidilao and Chuancai, Xiabu Xiabu, owned by Xiabu Group, chooses a cost-effective route and a more popular market, and its per capita consumption is usually half that of Haidilao and Chuancai.

(3) Although both Haidilao and Xiabu have expanded their stores into the sinking market, their main revenue is concentrated in the first and second-tier cities

(4) In terms of store location planning, Haidilao and Chudao have expanded rapidly across the country, while Xiabuxiabu has limited its expansion in southern cities because most of its stores are located in eastern or northern China because the central kitchen and distribution center are mostly located in northern China

(5) Currently, Haidilao and Coucou both have overseas stores and have further overseas expansion plans, while Xiabuxiabu's stores are all located in China, and nearly 300 of them are located in Beijing, where they were founded.

3.4. Profit analysis

When we talk about the health of a business and the performance of the economy, the income statement serves as the key financial statement, providing important information about the sales revenue, costs, and profits realized by the business during a specific period. The income statement is not only a summary of numbers, but also a mirror image of the operating conditions of the enterprise, reflecting its profitability and sustainable development potential. In today's highly competitive business environment, an in-depth analysis of the income statement has become crucial. Through detailed analysis of the income statement, we can reveal key information such as the profit model, cost structure, and market competitiveness of the enterprise, and provide decision-making support for enterprise managers to help them formulate more effective business strategies. Therefore, this part of this paper aims to better understand the economic situation of enterprises and provide a reliable basis for future business decisions through an in-depth analysis of the information contained in the income statement. At the same time, this paper will use SPSS to process and analyze the collected profit data, and the analysis results will be visualized.

Table 7. Change Trend of Some Items in Haidilao Profit Statement / 100 million RMB

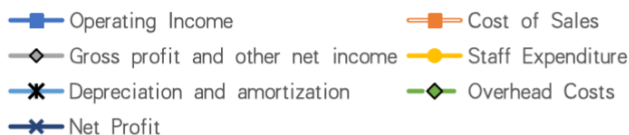
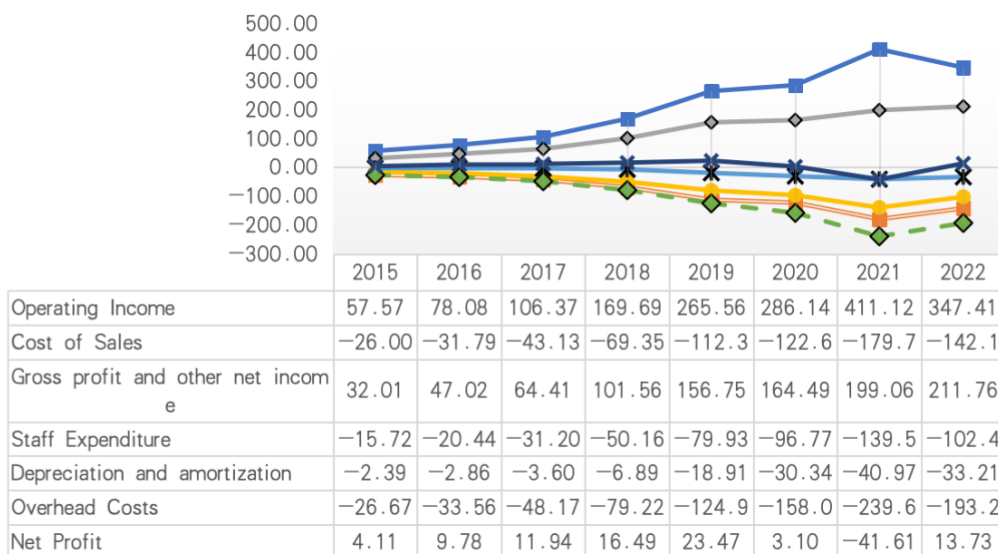


Table 8. Change Trend of Some Items in XiabuGroup Profit Statement / 100 million RMB

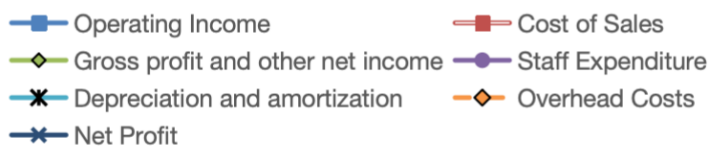
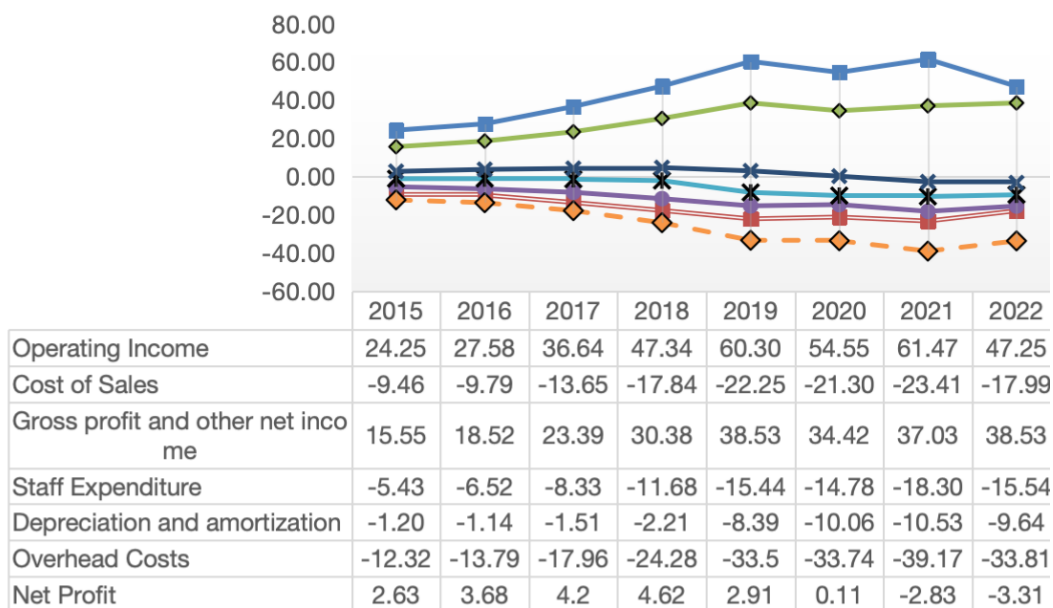


Table 9. Correlation data between some economic indicators in profit statements of Haidilao and Xiabu Group

Comparison items	Haidilao		Xiabu Group	
	Correlation coefficient	Significance	Coefficient of correlation	Significance
Cost of sales versus employee outflows	0.997	< 0.001	0.962	< 0.001
Cost of sales versus depreciation and amortization	0.979	< 0.001	0.865	0.003
Cost of sales versus gross profit, etc	0.971	< 0.001	0.938	< 0.001
Cost of sales and net profit	0.525	0.091	0.515	0.096
Overhead costs expenses and net profit	0.561	0.074	0.719	0.022
Overhead costs and operating income	0.994	< 0.001	0.953	< 0.001
Overhead costs and cost of sales	0.995	< 0.001	0.961	< 0.001
Overhead costs and gross profit, etc	0.995	< 0.001	0.965	< 0.001
Overhead expenses and cost of sales	0.995	< 0.001	0.961	< 0.001
Staff expenditure and operating income	0.993	< 0.001	0.957	< 0.001
Staff expenditure and gross profit, etc	0.958	< 0.001	0.969	< 0.001
Staff expenditure and net profit	0.562	0.074	0.704	0.026

* For ease of narrative, "Gross profit and other net income" is simply referred to as "Gross profit, etc."

* The cost of sales of the two catering enterprises in the case of this paper is their direct cost.

* Overhead costs, including administrative expenses, finance expenses, depreciation and amortization, and other expenses.

* Staff expenses and depreciation and amortization are administrative expenses included in overhead costs and are presented separately for analysis purposes herein.

* The indirect costs of Xiabu Group before 2018 (including 2018) do not include financial expenses due to undisclosed reasons or other reasons. According to the data of the China Business Industry Research Institute, the financial expenses of Xiabu Group in other years are all less than 100 million yuan. Therefore, this paper will still analyze the indirect costs based on the existing expenses, but there will be a slight error with the real situation.

The above chart is compiled based on the historical data of Haidilao and Xiabu Group, including the data and historical trends of some items in the income statement of Haidilao and Xiabu Group. All the data are the income or expenditure within a year, as well as the correlation of various economic indicators in the income statement.

According to the data, since 2015, Haidilao has rapidly expanded its scale by taking advantage of the free ride of the Internet. The company's operating income has also shown steady growth, from 5.757 billion yuan to 41.112 billion yuan in 2021. In terms of cost of sales, with the increase in operating income, the cost also rises correspondingly, and the proportion of it to operating income is relatively stable. Gross profit and other net income also increased year by year throughout the period, indicating an improvement in the company's profitability.

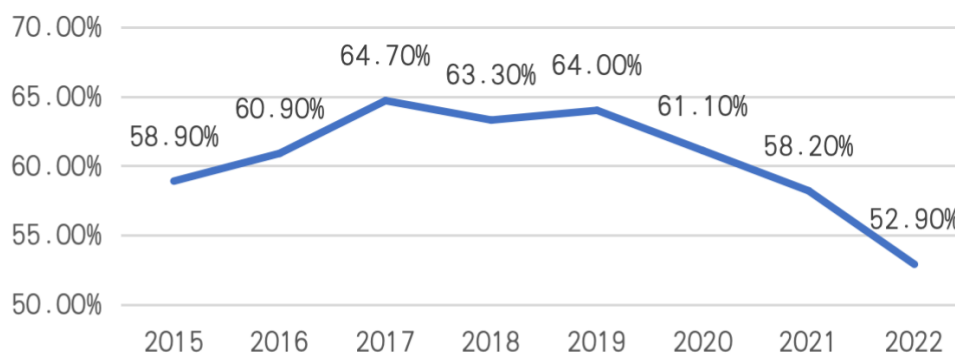
In contrast, Xiabu Group has a lower absolute value in all aspects than Haidilao because the number of customers is mostly single or small, and the growth rate is relatively slow, but the overall growth is the main. As the number of stores begins to increase, the operating income, cost of sales, and gross profit all increase more significantly, which symbolizes the gradual increase in profitability.

However, some data and fluctuations show that the operation of enterprises has been affected by the COVID-19 pandemic. Although the net profit of Haidilao has been growing from 2015 to 2020, the net profit for 2020 and 2021 has decreased compared with the previous year under the premise of increasing operating revenue and gross profit. Even in 2021, the net profit fell to -4.161 billion yuan,

resulting in a serious loss. According to the analysis of the chart data, this may be due to the economic instability caused by the COVID-19 epidemic, resulting in the negative impact of rising costs or reduced passenger flow. Although Haidilao has performed well in previous years, it may be that it has not developed flexible responses to similar black swan events such as the COVID-19 pandemic, which has led to pressure on enterprises to prepare and adjust their strategies in the face of such strong external uncertainties.

At the same time, since Haidilao attaches great importance to human resources training and regards service as a store feature, this paper additionally calculates the percentage of staff expenditure and overhead costs and makes a line chart.

Table 10. Percentage of Haidilao employee sales and overhead costs



It can be seen that the proportion of staff expenditure and sales in Haidilao has been increasing until 2017, and has maintained a stable proportion until 2020. However, since 2020, its proportion has been decreasing to 52.90%, which is 6 percentage points lower than that of 2015. This shows that companies did take a series of cost-control measures in the face of pressures such as the COVID-19 pandemic, including cutting staff expenses. This cost-management strategy has helped maintain better profitability during the pandemic. However, the COVID-19 lockdowns will inevitably lead to reduced passenger traffic and economic instability, so the net profit for 2021 and 2022 will still decline despite the cost control measures taken by enterprises.

Xiabu Group, for its part, is more dependent on bar utilization as most of its outlets are dedicated to solo dining, but has also been hit harder by COVID-19. Compared with Haidilao, Xiabu's revenue has barely improved significantly during the pandemic. At the same time, the increase in depreciation and amortization, as well as the decline in employee expenses and overhead expenses, show that the company has taken measures to reduce costs in the face of the economic instability caused by the epidemic

In table 9, this paper uses SPSS software to analyze the correlation and significance between some items in the income statement to get further conclusions. Correlation analysis is used to evaluate the relationship between two variables, and the correlation coefficient ranges from -1 to 1. The closer the correlation coefficient is to 1, the stronger the positive correlation between the two variables is. Otherwise, the closer the correlation coefficient is to -1, the stronger the negative correlation is. When it is close to 0, the relationship is weak. The significance level is used to determine whether the correlation coefficient is statistically significant. In the analysis results of the Haidilao part, there is a highly significant linear relationship between most variables, which means that the economic relationship between the two is direct and measurable, or the two economic indicators have a direct impact on each other. Some data, such as sales cost and net profit, indirect cost and net profit, and employee sales and net profit, show that there is a certain positive correlation between the two, but the significance level is higher than 0.05, indicating that the statistical significance of the relationship between the two cannot be determined, so the interaction between the two cannot be confirmed. However, it also shows that Haidilao's investment in human resources and the cultivation of an excellent service reputation are mostly used to promote and form a good impression, as well as improve revenue and gross profit, but it is not obvious to improve net profit. After that, Haidilao can

consider making appropriate adjustments in employee investment without affecting publicity and promotion.

According to the analysis results of Xiabu Group, it can be seen that its cost planning and control are more stable than Haidilao. Most of the economic indicators have very strong positive or negative correlations, and these relationships are highly statistically significant. Through the analysis, it can be seen that the positive correlation and significance between indirect cost and net profit are very strong, while the correlation and significance between sales cost and net profit are not high, which indicates that Xiabu Group's current indirect cost has a greater impact on net profit than direct cost, and then the input of sales cost can be adjusted appropriately. Moreover, we can further explore the management, finance, manpower, equipment, and other expenses.

4. Conclusion

Haidilao Group and Xiabu Group, as two hot pot enterprises with completely different business directions, have obvious differences and characteristics in their logistics, operation, sales, and management methods. Haidilao focuses on supply chain integration and reduces costs through strategic cooperation and logistics management, but its overall operating expenses are relatively high. In contrast, Xiabu Group focuses on close cooperation and direct connection with suppliers in logistics, simplifies logistics, and reduces costs through the agriculture-food connection mode, but the expenditure on raw materials increases more. Both companies have plans to expand in the future, but Xiabu Group is expanding faster, especially hoping to tap into the middle and high-end market by scraping together. After further analysis, according to the current situation of the two enterprises, this paper summarizes the following conclusions and suggestions:

1) Employee input and benefit

Although the proportion of staff expenditure in Haidilao has gradually decreased, it still accounts for a large part of the management cost; Xiabu Group has a relatively small number of service staff, so it has low requirements on the waiters, which may affect the service quality. According to the analysis, it can be concluded that Haidilao's staff investment is an important part of its business model, so it should continue to maintain such investment, such as carrying out staff training to ensure service quality; At the same time, according to the analysis results, although the current employee expenditure of Haidilao can greatly improve the turnover, it has little correlation with the improvement of net profit. Therefore, this paper suggests that Haidilao needs to find a balance in cost management. For example, it can reduce the expenditure on the accommodation of grass-root employees using a multi-person room, which not only ensures humanitarian publicity but also saves expenses. Xiabuxiabu stores of Xiabujiu Group have a small volume and high density, so the service personnel of a single store are usually relatively few and the turnover rate is high. Therefore, it is often impossible to form a storefront-based human resource management model like Haidilao, so it is difficult to improve the service quality and corporate culture awareness of each employee. Therefore, for the Xiabuxiabu store, enterprises can enhance other aspects, such as supply chain, supplier management, or agricultural and food connection advantages, and promote them as their advantages, to increase the visibility and attractiveness of enterprises.

2) Overhead cost control and expansion plan

As can be seen from the various data in the text, the two enterprises have high management expenses, involving staff training, service requirements, and many other aspects. To save indirect costs, Haidilao can review management costs item by item and explore opportunities for efficiency improvement based on maintaining a good reputation, such as adopting advanced management systems and training modules, to reduce labor costs and management costs; Xiabu Group has the advantage of smaller stores, and its target customers are mainly single or double, so it can consider increasing the density of stores or reducing the size of stores, and reducing management costs in the expansion, such as introducing digital management tools and standardized procedures to improve efficiency. At the same time, in terms of store expansion, Haidilao has opened several stores in the

first and second-tier cities in China and has a solid foothold. Therefore, it is suggested that Haidilao be more cautious about the next plan, which is the expansion of sinking markets and foreign markets. Market research and risk assessment should be carried out from the perspective of local economic strength and food culture to ensure the adaptability of stores. Xiabu Xiabu has not opened any market in South China. Therefore, the next step should be to strengthen the management of new market expectations, ensure that the speed of expansion matches the acceptance of the local market, and pay attention to improving the positive awareness of the brand image.

3) Cost of Sales optimization

By using SPSS, we find that the relationship between the cost of sales and net profit of the two enterprises is not obvious, and it may be necessary to further study the cost structure. Therefore, this paper suggests that Haidilao can conduct a more detailed analysis of the cost of sales and explore whether there is an opportunity to further optimize the supply chain or obtain more favorable cooperation through negotiation to reduce the cost of sales. Xiabu Group can further study the reasons for the increase in raw material and staff costs and find reasonable ways to reduce costs, such as renegotiating the contract or finding more competitive suppliers.

4) Diversify your business

It can be seen from the trend of income statements that most of the catering enterprises, including Haidilao and Xiabu Group, have insufficient preparation and strategy for black swan events like COVID-19. The reason is that the current business of the two catering enterprises is still not diversified enough, which shows that the flexibility of the enterprises is not enough. At present, Haidilao mainly focuses on high-end multi-person hot pots. Although it sells retail products such as self-developed sauce and self-heated hot pots and also develops takeaway business, the overall business is still mainly offline hot pot catering, and no clear diversified business has been formed at present. Although Xiabao Group has an early layout in this regard, it not only tries to expand its business diversity by introducing new experiences such as "tea drinking", but also sets up its brands such as Caochao, Chaimicha, and Zaishao to explore different markets, and its business proportion is still increasing, but offline hotpot catering still accounts for a very large proportion. The lack of diversification will lead to the impact of major industries, which will cause great losses to the enterprise itself. This paper suggests that the two companies strengthen their risk assessment of emergencies and establish flexible cost control strategies, such as adjusting their strategies more timely to adapt to the external environment or building richer and stronger online businesses to mitigate the impact of offline business fluctuations. In terms of diversification, Haidilao can continuously introduce some innovative products to the menu, such as special snacks or seasonal dishes, to attract a wider range of consumers who are interested in food itself; Xiabu Group can further explore the "tea" business, launch more innovative tea products, and even consider cooperating with local famous tea brands to enhance the popularity of the product. Meanwhile, Xiabu Xiabu's single-serving hot pot is very suitable for the takeaway business, and takeaway raw and cooked food can be a major project in the next stage.

In summary, although the current success of the two enterprises cannot be ignored, in the catering industry, for long-term development, both enterprises need to ensure more accurate market positioning and understand the needs of target consumers, to increase market share. Some measures, such as introducing digital management tools, improving operational efficiency, reducing management costs, and strengthening sustainability and environmental protection concepts to improve corporate image, are all feasible schemes, which will help the two enterprises better cope with the fierce market competition and improve business efficiency.

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