

# Transformation and Sustainable Development of Traditional Catering Industry After COVID-19

Guihua Guo<sup>1</sup>, Ying Hu<sup>2</sup>, Yan Fang<sup>3</sup>

<sup>1,2,3</sup>School of Business, Jiangxi Normal University, Nanchang 330022, China

\*Corresponding author. Email: [1635127069@qq.com](mailto:1635127069@qq.com)

## ABSTRACT

Under the impact of the epidemic, a large number of catering enterprises are faced with many problems. Such as sharp decline in operating income, rising costs and poor industry performance. However, crises and opportunities are always coexisted. This article analyzes the problems faced by the catering industry and explores opportunities after the epidemic by combining the response measures taken by outstanding companies. It is proposed to comprehensively expand online services, diversify sales methods and tap on its own unique characteristics, with the aim to provide some references and enlightenments for catering enterprises to seek survival in difficult situations.

**Keywords:** catering industry, COVID-19, opportunity

## 1. INTRODUCTION

In recent years, with the rise of online ordering platforms, the increase in people's income and the increase in consumption levels, the traditional catering industry has developed rapidly. While it has positioned itself into an important place in my country's economic development, its development prospects are also very promising. According to the Xinhuanet report, the operating income of the top 100 catering companies reached 327.38 billion yuan in 2019 [1-2], a year-on-year increase of 9.6%, and provides about 26 million jobs. However, due to the impact of COVID-19 the traditional catering market has fallen sharply, the turnover days of the market have been decreasing, and financial pressure has been increasing. Various conditions indicate that after experiencing COVID-19, the transformation and upgrading of the traditional catering industry has become imperative.

## 2. THE IMPACT OF COVID-19 ON THE CATERING INDUSTRY

At the beginning of 2020, affected by COVID-19, almost all people across the country are locked down. All families social visitations were cancelled, and all kinds of parties, dinners and wedding banquets during the Spring Festival were suspended. Catering companies that use the Spring Festival as their prime time for sales generation have suffered setbacks [3]. The operating income of catering companies dropped rapidly. According to the Report on the Impact of the New Coronary Pneumonia Epidemic in 2020 on China's Catering Industry, compared with the Spring Festival last year, 78% of catering companies during the epidemic period lost more than 100% of their operating income. About 9% catering companies has

incurred a revenue loss of more than 90%, and about 5% of catering companies has incurred operating income loss of less than 70%. During this period, many chain stores were also hit hard. Due to the large number of chain food and beverage stores, more employees costs, and higher rents, has caused some well-known food and beverage brands plummeted due to this crisis, which has caused immeasurable losses. According to statistics, Haidilao Hot Pot's revenue loss is estimated to be about 5 billion yuan. Not only that, restaurants as large as Shaxian country snacks are all closed from operations.

During COVID-19, the difficulties faced by catering companies are mainly coming from the pressure of reduction in operating income, payment of employee salaries and store rents. Catering stores were forced to shut down, resulting in a large number of people idling at home. In addition, fixed costs such as rent and labor costs continue to remain high. At the same time, the stores were unable to operate normally, and online orders dropped sharply. Catering companies without stable income faced huge financial pressure [4]. Moreover, the COVID-19 has also exposed many shortcomings in the traditional catering industry.

## 3. SHORTCOMINGS OF THE TRADITIONAL CATERING INDUSTRY

Online business channels in the traditional catering industry are not rich enough. The traditional catering industry mainly focuses on physical store consumption, with less use of online ordering platforms. According to economic research reports, before the outbreak of COVID-19, only 14.9% of catering companies are mainly operated online and 46.4% of companies had both online business and physical stores. The traditional business method has limited ability to attract customers and can only operate passively, and the operating pressure is relatively high.

The traditional catering industry has a low level of concentration. During COVID-19, catering companies with less retail chain operation and low concentration are the first to be affected because of their low ability to withstand the impact of risks. From the perspective of turnover, 76.24% of the single-store catering companies' turnover fell by more than 90%, while the retail chain catering companies' turnover fell by more than 90% accounted for 67.79%. It can be seen that under the general conditions of the epidemic, consumers are more inclined to brand catering companies. According to the report, my country's small-scale catering companies account for 90%. From 2012 to 2018, the overall concentration of China's catering industry showed a downward trend. In 2018, the revenue of China's top 100 catering companies accounted for 5.6% of the overall revenue of the industry, a decrease of 1.6 percentage points from 2017. The concentration of the catering industry is relatively low.

The traditional catering industry is highly competitive, with single main business and low profitability. The average profit margin of the catering industry is only around 8%. Traditional catering basically focuses on providing catering, and few companies expand to retail, entertainment and other services. In recent years, as the development trend of foreign catering industry is getting better and better, it has squeezed the breathing space of traditional catering industry and intensified the competition.

The catering industry has a single marketing channel. For a long time, the main marketing methods in the traditional catering industry have been through verbal communication, publicity, and price wars to attract customers. Today, with the continuous development of Internet technology, these channels have long been unable to attract consumers. The catering industry needs to change its own ideas and change marketing approaches. In addition, the lack of food safety awareness in the catering industry and the lack of its own uniqueness in enterprise catering has restricted its further development of the traditional catering industry. In the post-epidemic era, how to capture consumers, increase brand awareness, and actively innovate are issues that these companies need to think about.

## **4. SUGGESTIONS AND MEASURES TO PROMOTE THE SUSTAINABLE DEVELOPMENT OF THE CATERING INDUSTRY**

### ***4.1. Expand Online Business***

Under the influence of COVID-19, many industries have begun to expand online business. Food is the first priority for the people. Compared with other industries, the catering industry has a broader online sales market. The 2020 Spring Festival online food and beverage delivery

created an opportunity. At the same time, service platforms such as WeChat announced that they would open free takeaway mini-programs to catering companies across the country, and support the catering industry to carry out takeaway and e-commerce retail businesses. Purdue Technology Co., Ltd. provides technical anti-epidemic solutions to realize contactless food delivery by robots. These conditions provide technical and platform support for the online activities of catering companies.

There are three main aspects of online business exploration in the catering industry. First of all, catering companies will be able to use existing online food ordering platforms to carry out takeaway business. According to statistics, in April 2020, food delivery on the catering online platform has recovered nearly 60%. The takeaway platform has more human resources, which can help the catering industry to improve the efficiency of distribution. For catering companies, online and offline food delivery increases corporate income and eases corporate funding pressure. Second, establish effective communities through the Internet. Establish a more stable connectivity with consumers in the community and WeChat to increase passenger flow. At the same time rely on online coupons and discount activities to attract consumers. Companies can address customers' concerns about food safety and build a good reputation through public kitchens and food disinfection in the community. Finally, merchants must actively integrate with takeaway platforms, make good use of online reviews and data analysis services, conduct consumer preference analysis, capture consumer psychology, provide consumers with food that meets their tastes, and tap potential consumers.

### ***4.2. Exploit Its Own Uniqueness and Transform Marketing Approaches***

The main contradiction in China has been transformed into the contradiction between the people's growing needs for a better life and the unbalanced development. This contradiction is not only reflected in some manufacturing industries, but also in traditional catering companies. With the gradual homogeneity of the catering industry today, having its own characteristics is an important condition for the sustainable development of the catering industry.

If the catering industry wants to tap its own characteristics, it must first start from the needs of consumers and accurately position its own services and functions. The catering industry first needs to accurately locate a certain consumer group and combine the advantages of the company according to their lifestyle, spending power and preferences, etc., to design the catering menu, decorate the restaurant environment, and create a good cultural atmosphere. Form your own characteristics. The characteristics of the catering industry should not be just one's own subjective judgments, but also need to go through a period of market research and consumer testing and digging out their own characteristics requires continuous innovation by catering companies. Enterprises

should thoroughly understand the changes in consumer demand and innovate menus and service methods in a timely manner.

After possessing its own characteristics, it is also necessary to use the Internet for marketing to increase corporate visibility. The catering industry can expand its popularity through social platform interaction and other means. You can also use online big data platforms to accurately target customers and place advertisements in consumers' social circles. Besides, you can attract customers by establishing online communities.

In the future, more and more catering and delicacies will be packaged into food package. They will continue to advance on the road of e-commerce, and this method will develop from fragmentation to normalisation. Therefore, creating its own characteristics and using diversified marketing approaches for promotion are important issues that catering companies need to think about.

### ***4.3. Adjust the Business Model to Improve Profitability***

Catering companies are struggling during the epidemic, but there are still outstanding companies that are good at seizing opportunities, analyzing their own environment, adjusting business strategies, improving their own business conditions, and achieving success. Box Horse Fresh Food relies on model changes to obtain new development opportunities. The offline catering service industry was most affected by the epidemic. Stores could not be opened and there was no financial input. However, if employees were not unemployed, wages burden would lead to the company's eventual closure. Although people don't go out, they have to eat. As a result, the fresh food e-commerce and grocery shopping businesses in cities have increased significantly and the demand has exploded. The distribution resources of Box Horse Fresh Food can't meet people's distribution needs. As a result, Box Horse Fresh Food, which is desperately short of capacity, absorbed the idle human resources from the society, and cooperated with many catering companies as shared employees. It is undoubtedly lucky. After adjusting the pace, the epidemic has brought new development opportunities for Box Horse Fresh Food. During the epidemic, the unit price of Box Horse Fresh Food customers increased by about 200%. In addition, through hotels, department stores, shopping malls, car rental and other service industries, they have also participated in the shared employee plan, which has reduced the huge labor cost burden for the catering service industry, and can also supplement the service capabilities of Box Horse Fresh Food in extraordinary times and achieve a win-win situation. The invisible hand of the market.

The catering industry can learn from Box Horse Fresh Food fresh experience and improve profitability by adjusting the staff structure. Adjusting the staff structure can not only reduce the cost of catering companies, but also improve the operating efficiency of the company.

Furthermore, companies can also consider promoting to the catering service industry and retail.

### ***4.4. Pay Attention to Food Safety and Enhance the Sense of Responsibility***

Food safety is an important aspect involving personal safety and it is also the foundation of catering companies. In recent years, there have been endless problems of substandard food quality and insufficient safety of takeaway food. These problems have become difficult problems in the process of Internet transformation of catering companies.

For the catering industry to develop healthily and for a long time, it is necessary to establish a sense of food safety and improve social responsibility. The safety knowledge training and management training of catering practitioners should be enhanced to improve their professional quality and professional skills. Every employee in the catering industry should have a health certificate, a post certificate, etc. and resolutely put an end to the phenomenon of undocumented work. Moreover, every catering practitioner must conduct regular health checks to ensure the health of the practitioners, thereby ensuring the safety of the catering. In addition, catering companies should also formulate a job responsibility management system standard, each job division is clearly defined, each employee must bear the responsibilities and obligations of their respective positions. The disinfection management of tableware must also be put on the agenda. Every enterprise should have standard disinfection procedures and steps to ensure the long-term and stable development of the catering industry. Under objective conditions, form an integrated supervision of online and offline catering enterprises, improve the traceability and reporting mechanisms of food sources, and formulate regulatory and law enforcement measures in line with the characteristics of the Internet.

### ***4.5. Expand the Scale and Realize Chain Operation***

Enlarging the scale of catering companies is an important way to occupy the market. A unified corporate image is required for brand chain operations, which depends on the team's structure of the store environment, brand and corporate culture. And on this basis, improve the service quality of service and food. Catering companies need to develop in the direction of standardization in purchasing and kitchen cooking. With uniform standards, the catering industry can replicate. After the company plans to expand, it must know how to use various publicity channels, such as new media communication and TV advertising, to expand brand awareness. Catering companies can use bank loans and accept foreign investment to expand their operations. After expansion, companies need to combine

local characteristics to innovate products and services to realize their long-term development.

## **5. SUMMARY**

Opportunities are always reserved for those who are prepared. After the COVID-19 epidemic, consumer demand will be released and requirements for food safety will increase. Therefore, the catering industry must seize the opportunity to seek new development paths by expanding online business and tapping its own characteristics to achieve its own longterm development.

## **REFERENCES**

- [1] Yang Yunchuan. The status quo and prospects of the catering industry in the Internet age. [A]. Southern entrepreneurs. (2019) 08 — 0030 — 01
- [2] Xinhuanet. Report on the development status and trends of China's catering industry under the new crown epidemic. [OL].2020.03.02
- [3] Wu Jiali. The impact of the new crown pneumonia epidemic on the catering industry and the transformation of marketing strategies. [A]. Technology and management of small and medium-sized enterprises. 2020.03
- [4] Li Meng. Analysis of the current situation and countermeasures of my country's catering management. [A]. Industry perspective. 2019.02