

# Consumer Behaviors in Choosing the Hotpot Restaurant

## — Hai Di Lao and XiabuXiabu

Zhiyuan Chang<sup>1,\*</sup>

<sup>1</sup> RDFZ Chaoyang Branch School, Beijing, China, 100028

\*Corresponding author. Email: changzhiyuan@rdfzcyj.cn

### ABSTRACT

Hotpot is a traditional and popular meal in China, two major popular restaurants in people's mind are Hai Di Lao and XiabuXiabu. They have different characteristics and various strategies to maintain their performance. For instance, they have different pricing strategy, different method of service, and different types of hotpots. Other hotpot restaurants can hardly compete with them. This paper discusses the underlying reasons for the good performance in Hai Di Lao and XiabuXiabu through comparing data from their official website and using other theories. Overall, two restaurants are using different strategy: high level services verses cheaper price. This research presents that there are many means to become successful. There are many ways to achieve one result.

**Keywords:** Behavioral economics, restaurants, service, price, customer preference.

## 1. INTRODUCTION

Hai Di Lao is a traditional hotpot restaurant. Registered in 1994 in Si Chuan province in China. It gradually spread its branch stores across the country. It focuses on relative high-level services, now having 868 sites in China and 67 outside China. XiabuXiabu, registered in 1998 in Taiwan, is another famous hotpot restaurant that changed its main target customers, developing a different style, one pot per customer to enjoy a small hotpot individually, from other hotpot restaurants that shares a big pot. Many types of researches about these two restaurants analyze the reasons why they can achieve such success, such as the marketing strategies and management policies each restaurant employed. Based on the data analysis, this paper discusses how those two hotpot restaurants attract customers and why others cannot compete with them. Two restaurants are employing different styles and strategy, but they both get the ultimate success, showing that there are many ways to achieves the goal. We can try to change our view whenever there is difficulties.

## 2. ANALYSIS OF HAI DI LAO

Hai Di Lao has its guide of action that "focusing one consumer, everything can be achieved by our service

with equal opportunity for workers". Hai Di Lao pays full attention to every consumer and try its best to serve them. Hai Di Lao has a complete supply chain that ensures a lower cost. Hence, Hai Di Lao can earn great profit through its dishes, providing the basis of its high-cost services. What Hai Di Lao does to attract consumers will be analyzed.

### 2.1. Enthusiastic services

Whenever asking about the most famous characteristic for Hai Di Lao, it is their services. The waiter in Hai Di Lao is overwhelmingly enthusiastic and they care about detail. Waiters are providing hot towels for those who wait for repast. There are waiters to tell people "mind the steps". There are even staff playing with child in the playground in the restaurant. Unlike other restaurants. It has established consumers' belief in quality service. Additionally, Hai Di Lao provides a higher salary to their workers and they can make the decision facing the needs of customers [1]. This makes workers in Hai Di Lao have more passion, getting them evolved, having a sense of belonging, and having a lot of power. For instance, they can give a discount or even free of charge when no special events or activities happens [2].

According to “hierarchical theory of needs” proposed by Abraham H. Maslow (1943), people have different needs, including physiological need, safety need, belongingness and love need, esteem need, self-actualization need and etc [3]. Overall, the service in Hai Di Lao can fulfill many needs for consumers, not only physiological needs. Hai Di Lao can satisfy the esteem need and belongingness. This will cause consumers to form positive beliefs and opinions about Hai Di Lao and help to create consumers’ brand loyalty. In addition, the detailed and all-sided service will ensure consumers a very positive experience.

## **2.2. Pricing strategy and location**

Hai Di Lao has outstanding pricing strategy to maintain its profits and cover its cost while maintaining special and enthusiastic services. Hai Di Lao does it in two ways. For one, it will charge a relatively higher price for their meals since consumers are having brand loyalty and are willing to pay. For another, Hai Di Lao employed a discount pricing strategy.[3] There is a discount for different consumer groups such as college students and elderly people. Besides, different discounts are provided at different times. On weekdays, there are discounts from 2 to 5 pm and from 10 pm to 7 am. On the weekend, 60 percent discounts are given between 12 a.m. to 7 a.m. [3]. The location of each restaurant is analyzed including target consumers, surrounding environment, possible competitors and their current situation. The location makes the restaurant more visible, more popular.

Moreover, unlike traditional hotpot restaurants that have a simple and colorless menu, Hai Di Lao creates a colorful one with fancy pictures. This will attract consumers.

## **2.3. Activities and facilities**

The infrastructure in Hai Di Lao is also a key factor that attracts consumers. In Hai Di Lao, Lots of facilities for people to enjoy. For the child, there is playground like toys, bouncy castle for them to play. For the adult who waits for their seats, there are different kind of games for them to play, such as Pokers cards, chess, and so on. Various snacks are ready for those who feel hungry. Free WIFI is enabled for people who use phones. In short, People can wait while playing or having something to do, helping to pass time. Customers enjoy those facilities and they can be happy and free in Hai Di Lao as if they are at home [2]. When comparing Hai Di Lao with others, consumers will find it even better.

Despite the things for people who wait for the seat. There are also events for people who are having their meal. For instance, workers are celebrating, singing the Birthday song to people who have a birthday. They will

also offer a free cake for that table. Waiters will create a warm atmosphere that builds positive emotions among consumers [4]. Afterward, when consumers are paying the bill, they will be asked for their feeling about the event and any aspects to improve. They will then remember this moment and link their current emotions to the feeling about the meal.

## **2.4. Brand**

Because of its service, Hai Di Lao has its brand and fame. People who enjoyed the good service will introduce Hai Di Lao to their friends. This will build an initial impression and will make their experience in the restaurant more positive. The target consumers further help it to increase sales. Hai Di Lao is focusing on middle and high-level services [3].

Furthermore, Hai Di Lao follows the technology development in China closely, introducing its information and the latest news on popular online social Apps such as Instagram [1].

Hai Di Lao has a professional public relationship team, knowing well about how to create hot topics and deal with negative news. For instance, they will respond quickly to the mistakes they do. For some less serious problems, such as the mistake from the chief when performing how to stretch noodle, Hai Di Lao will just turn it into a humorous story and tell people that they can get free meal if they meet this. This helpful public relationship team ensures Hai Di Lao to have a good reputation [5].

In addition, Hai Di Lao develops their take-out service. People can enjoy the hotpot at home since there will be a deliveryman sending the pot and ordered dishes for them. The take-out service increases their sales since consumers don’t have to wait for the table and can buy the hotpot at home without going to the restaurant. It helps to advertise themselves since others can see the pot and will ask about where to enjoy those foods, creating more customers.

Hai Di Lao builds its good reputation and brand firstly through its beliefs and its actions—serving consumers as the primary goal. Then, the consumers who have enjoyed the experience will help to advertise their brand. According to “Induction resistance to Theory of mind” (Brin,1966), customers will think that their decision is correct, providing more and more reasons. Eventually, they will trust Hai Di Lao totally and they will even doubt the credibility if there are any negative news. Moreover, Halo Effect, which lets people generalize their experience to all its franchised stores, will ensure a good performance among all Hai Di Lao stores [6].

### 3. ANALYSIS OF XIABUXIABU

XiabuXiabu is another popular hotpot restaurant that has more than 50 stores. It is different from traditional hotpot that people gathered around using one pot. In Xiabuxiabu, each person has his or her own pot to cook the dishes.

#### 3.1. Different style of eating

XiabuXiabu is different from traditional hotpot, it provides a small pot for each person. This change ensures that XiabuXiabu can attract more consumers. For instance, it has different combos to provide different flavors of individual hotpot. Consumers can enjoy a unique experience since they go to eat hotpot alone.

#### 3.2. Supply

XiabuXiabu has a completely strict supply chain that transports all raw materials. All franchised stores are using the regulated dishes sent from the overall distribution center. The supply chain reduces the cost, ensuring XiabuXiabu to charge a low price and attracting consumers. Also, XiabuXiabu standardizes everything it uses, such as the weight of the dish, arrangement of the dish, and even the seasoning for hotpot. The result of this is the same flavor in every store. Consumers who want to enjoy the flavor can go to any XiabuXiabu store to have a meal.

Overall, the low price and the flavor can attract consumers since it is cheaper and they can taste the same flavor again after they have a good experience before.

#### 3.3. Location and culture

XiabuXiabu must be located in tier one cities such as Shanghai, Beijing because of the disadvantages of the standardized supply chain. However, XiabuXiabu employed a different strategy. Its cheap price attracts consumers and develops a special atmosphere which causes people to feel as if they are belonging to the tier one cities when they have the meal, providing a sense of satisfaction among consumers [7].

#### 3.4. Target consumers

The target consumer group is the low-income and the middle level in the city. For people on low-income level, XiabuXiabu produces a delightful experience and a relax between their busy work. Its price is relatively

cheap and thus affordable for most people. The average cost of XiabuXiabu is 70 Chinese Yuan, much cheaper than other hotpots restaurant.

XiabuXiabu employs various advertisements to attract consumers, those advertisements have outstanding and beautiful pictures. The different hotpot style, in addition, is used as part of their advertisement. Various advertisements make XiabuXiabu well known. Therefore, for middle income level, they will view XiabuXiabu as a popular restaurant, having a better impression even they have not been there once. This impression will affect their decision afterward.

### 4. COMPARISON

Both Hai Di Lao and XiabuXiabu have a complete supply chain that reduces their costs, but they take advantage of this in different fields. Hai Di Lao uses it to improve their services. XiabuXiabu develops a standardized flavor across all stores and the cheap price.

They have different atmospheres. In Hai Di Lao, waiters will treat people with extreme passion, creating a welcoming and warm atmosphere. Consumers who want to enjoy such a service will go to Hai Di Lao more often. XiabuXiabu is different, there are less workers. The waiter will just take the dishes the consumer ordered and let consumers to cook themselves.

The price of dishes and the target consumers are different as well as can be seen in Table 1. Hai Di Lao provides a relatively high-level service. People who go to Hai Di Lao are aiming to enjoy the services since the dishes do not have much difference in most hotpot restaurants. XiabuXiabu is designed as a bar counter, serving people in the most efficient way and having more consumers enjoying the meal. The main target group for XiabuXiabu is the lower income group, letting them enjoy hotpot without spending too much. The average cost for a person to enjoy Xiabu Xiabu would be less than 70 Chinese Yuan while Hai Di Lao costs much more, near 200 Chinese Yuan and more. The bar counter design and the low price ensure a high table turnover rate which offsets the drawbacks of low price—lower profit.

Overall, Hai Di Lao attracts consumers through its services, providing a unique experience to customers those other restaurants can not. The reason is that this service is costly for restaurants, if there are less consumers and revenue, the restaurant will shut down. Hai Di Lao can maintain the service is due to the supply chain, brand loyalty and its pricing strategy.

**Table 1.** Costs report for the first half year in 2021

	Hai Di Lao	Xiabu Xiabu
Total Revenue (before tax)/million	20,094.0	3,046.9
Staff cost/million	7161.7	926.7
Material/million	8502.4	1,134.8
Rent/million	198.6	140.8
Electricity/million	693.1	94.9
Discount/million	2,169.1	531.0
Others/million	801.0	207.0

By comparing two restaurants, Hai Di Lao is spending much more on staff cost which the training cost is included. Also, Hai Di Lao has much more facility cost (Material). The discount shows and proves that Hai Di Lao provides various activities and discounts to customers. Overall, Hai Di Lao spent more on developing its service and its facility. Hai Di Lao has more branch stores and hence its overall revenue is much greater than Xiabu Xiabu [8, 9].

For a new restaurant to do this, it needs the hardworking workers which is almost impossible since they can change jobs to Hai Di Lao or other hotpot restaurants. It is suitable for almost all kinds of events including parties, dates. Its consumers are the best advertisement. Consumers will recommend Hai Di Lao to their friends, and they will have a cheerful party in Hai Di Lao which creates more customers. XiabuXiabu is using the cheap price to attract consumers, they offer delicious dishes at a relative cheaper price. Additionally, consumers can enjoy the same taste when they order the same dish again because of the standardized management. The reason why XiabuXiabu is not as popular as Hai Di Lao is the difference of characteristics. The service in Hai Di Lao is fulfilling some higher-level needs according to the hierarchical theory of needs and harder to imitate by other restaurants and Hai Di Lao uses its brand to create more possible consumers. XiabuXiabu is popular because of its low price, which will be easily imitated and if the price is higher, they might lose customers.

## 5. CONCLUSION

Hai Di Lao and XiabuXiabu are popular hotpot restaurants in China. They have different characteristics and different marketing strategies to attract consumers. This paper introduces the advantages of those two restaurants and has a comparison to show why Hai Di Lao performs better than XiabuXiabu. The reason is that the service of Hai Di Lao is unique and is hard to duplicate in another restaurant. Consumers will go to Hai Di Lao due to both the brand loyalty or the famous

name and the enthusiastic service. XiabuXiabu is less special, it is easier to imitate and it does not have a strong feature to attract consumers. Despite the differences in various fields, both restaurants get extraordinarily popular in China, having lots of customers and generating huge profits. There are numbers of ways to the final success.

## AUTHORS' CONTRIBUTIONS

This paper is independently completed by Zhiyuan Chang.

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