

Analysis of the Economic Recovery of Small and Medium Catering Enterprises after the Epidemic

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ABSTRACT

China's catering economy is facing a tremendous problem. For small and medium-sized enterprises, because they take the largest part of catering business, it is crucial to find problems they are facing and provide solutions to each of them. First, this paper shows the environment of China's small and medium-sized catering enterprises in the post-epidemic era and the importance of this industry to China's economy. Second, this paper uses literature study and research to describe some problems faced by small and medium-sized catering industry in the post-epidemic period. Finally, this paper puts forward detailed solutions to the problems mentioned above to help the small and medium-sized catering industry through the difficult period, which include developing technology, reducing cost and attracting customers.

Keywords: Epidemic, SME, Economic Development, Short video, Take-out

1. INTRODUCTION

China's economy, which relies mainly on consumption, investment and exports for economic development, has been hit hard by COVID-19. According to the survey, China's GDP growth rate will fall sharply to 2.3 percent in 2020. Now, as the COVID-19 epidemic enters its final phase, thanks to vaccine development and China's excellent epidemic prevention efforts, the market is slowly recovering. The catering industry has been one of the hardest hit by the outbreak, with heavy losses. For large catering enterprises, they can survive the epidemic and attract a large number of customers due to their sufficient financial reserves and high visibility. However, as the main body of China's catering industry, small and medium-sized catering enterprises are difficult to continue to operate and recover after the epidemic due to the lack of funds, internal systems and sufficient visibility. Therefore, these enterprises need some ways

to ensure that they can recover quickly after the outbreak is over and promote the development of China's restaurant industry again. This paper will discuss the problems faced by small and medium-sized catering enterprises, and implement each problem.

2. DIFFICULTIES FACED BY SMALL AND MEDIUM-SIZED CATERING ENTERPRISES

2.1. Capital flows are insufficient

Many small and medium-sized businesses were forced to close during the outbreak as local governments asked citizens to stay at home to meet quarantine requirements. In terms of the revenue loss of Chinese catering enterprises during the epidemic period in 2020, 78% of them lost more than 100% of their revenue, 9% lost more than 90% of their revenue, 7% lost 70-90% of their revenue, and 5% lost less than 70% [12].

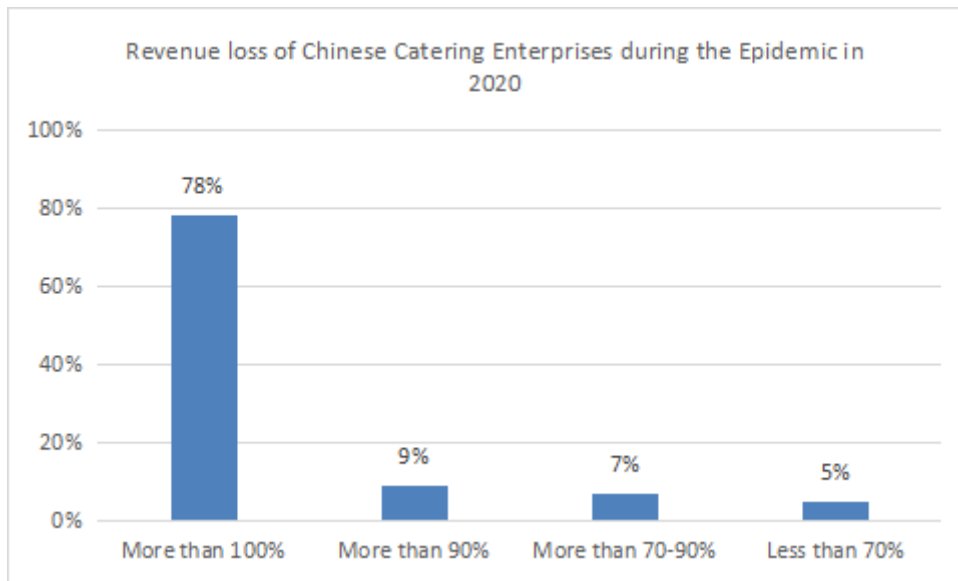


Figure 1 Revenue loss of Chinese catering enterprises during the epidemic in 2020

By China Cuisine Association

After the epidemic ended, the operating income of small and medium-sized catering enterprises showed a significant downward trend. First of all, because the catering enterprises are closed for a long time, there are certain problems with the food materials and hardware facilities of the restaurants. It takes some time to buffer, but it is difficult to readjust because there is not enough money. Secondly, after returning to work, the rate of workers returning to work is low, resulting in slower food processing speed and performance deviation. Finally, due to the impact of the epidemic, food safety has also been paid more attention. Whether it is takeout or in-store food, adequate isolation measures and disinfection are needed, which increases the cost of materials and time.

In this case, small and medium-sized catering enterprises themselves are not comfortable with capital flow received a greater impact. Whether it's equipment maintenance, rent, interest on loans, and other big expenses to consider, these additional costs make it harder for businesses. Due to the upstream enterprises can not timely repayment, and because of the lack of raw materials and funds to provide customers with enough dishes, will form a huge cash gap for enterprises, resulting in the rupture of the capital chain. According to the survey, 52% of small and micro-businesses can only maintain the cash balance in their bank accounts for one month, 28% can maintain the cash balance for two months, and 14% can only maintain the cash balance for three months at most.[12]

2.2. Lack of customers

For large enterprises, because they have established enough brand advantages and popularity in the early stage, they can attract enough customers after the epidemic and have more funds to invest in advertising, so that they can recover quickly after the epidemic. However, for small and medium-sized catering enterprises, it is difficult to attract enough customer flow and recover quickly due to the lack of sufficient capital and credibility when the whole industry is severely impacted. Moreover, due to the impact of the epidemic, the general public, after experiencing major health risks and economic risks, tend to consume more rationally and even conservatively, and become more reluctant to go to restaurants.

2.3. Lack of technology

The concept of “boom” was mentioned by Nanjing University of Finance. they used a lot of formulas and theories and analyze the level of different aspects that affect the harm of catering enterprises[4]. The following figure shows 4 aspects that affect the income and success of an enterprise. According to the research, although each aspect has some impacts on the “boom” index and level of an enterprise, the technology is the most significant and powerful factor, the index number of which even exceeds 100.

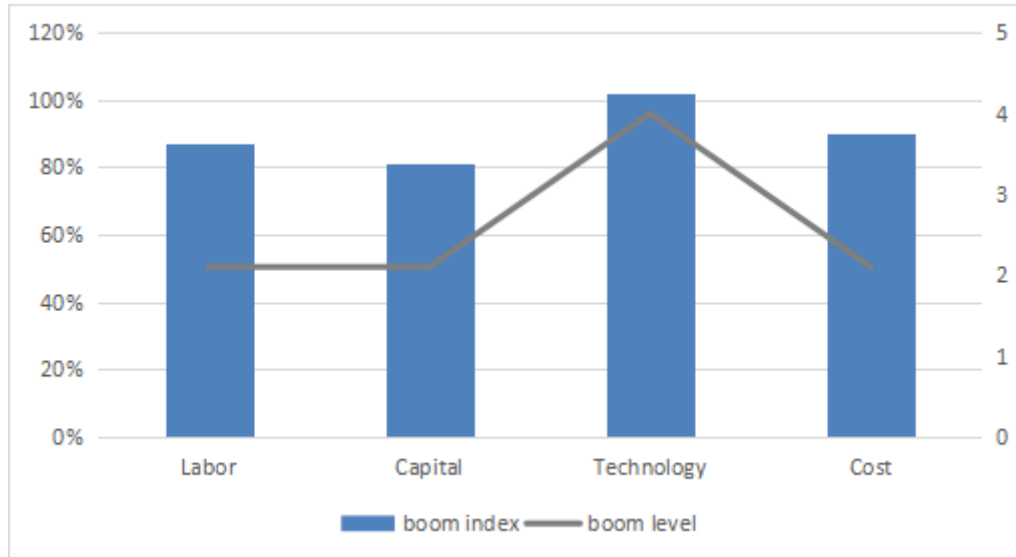


Figure2 Overall damage business index table

By Nanjing University of Finance

For most micro and medium-sized catering enterprises, because they don't have as much capital as big enterprises, they only have limited capital to purchase for high-tech equipment. Taking food delivery robot as an example, in Beijing, more and more large catering enterprises have already using the food delivery robot to transfer the dish to customers. This way not only reduce the labor cost of the enterprises, but also attract more customers interested in this company and willing to get in. In addition, this robot will follow the path specifically, which reduce the opportunity that the company provides the wrong dish. In contrast, although small and medium-sized catering enterprises can deal with the relative small place, when there are more people come in, these enterprises will make more mistakes and even make people less willing to go to the company again.

3. MEASUREMENTS FOR ECONOMIC RECOVERY AFTER THE COVID-19

3.1. Reduce the cost

For enterprises:

Because small and medium-sized catering enterprises lack capital and do not have a complete internal structure, these enterprises should first change from the aspect of cost. First of all, small and medium-sized catering enterprises should be a more accurate procurement cost budget. For most small and medium-sized catering enterprises, the procurement of raw materials in the process of food will only be a rough estimate. For these enterprises, the first thing to do is to carry out the specific and accurate calculation of all materials, and follow the matching principle of sales price and cost, reasonable pricing. When ordering raw

materials, you should estimate the number of materials that may be needed to avoid waste. Secondly, after purchasing materials, attention should be paid to the storage of materials. After the impact of the epidemic, both customers and the national government have become more concerned about the safety of videos, so we should avoid the losses caused by the corruption and waste of food ingredients in the warehouse after the purchase. Finally, it is necessary to make reasonable use of raw materials. In the process of processing food, the raw materials needed for each dish should be specified and controlled, and different positions of food materials should be rationally used to increase the utilization rate of food.

For the problem of labor shortage, small and medium-sized catering enterprises can solve it through intelligent mechanization and optimization of work structure. In small and medium-sized restaurants, people sometimes encounter the problem of poor quality and slow work of waiters, which affects customers' first impression of the restaurant and reduces customers' return rate. In view of this problem, first of all, small and medium-sized catering enterprises should pay attention to the professional training of employees to avoid leaving a bad impression on customers. Small and medium-sized enterprises can choose to conduct free training when hiring, improve the professional quality of the employees, and set up an evaluation system so that customers can evaluate the staff, motivate the staff to better serve customers. On the other hand, enterprises can also improve the work structure, flexible use of interns, retired gig workers, hourly workers, and other groups, reasonable allocation of time, reasonable reduction of labor costs.

For government:

It is not enough for small and medium-sized catering enterprises to make changes on their own to really solve this problem. The government needs to make changes as well. First of all, the government should strengthen the loan support for small and medium-sized catering enterprises. The financing gap for SMEs in China is as high as \$1.9 trillion[7]. Thus, the government should strengthen the economic support for small and medium-sized catering enterprises. When providing loans, the government should formulate a list of exemptions from liability for loans to compensate certain risks, so that financial institutions and small and medium-sized catering industries can dare to lend money.

In addition, the government can build a unified public credit information sharing platform through the network, and build a communication bridge between financial institutions and small and medium-sized enterprises. After that, according to the different laws of different regions, the development of small and medium-sized catering industry loan assessment system in line with local characteristics, not only to observe the overall situation of the region, but also to reduce the difficulty of loans to these enterprises in a certain proportion. In addition, the government can subsidize the loan interest rate of small and medium-sized catering industries to some extent, appropriately reduce the loan interest rate of these enterprises, and the government can make up the difference.

3.2. Increase the customer

For small and medium-sized catering industry customer problems, mainly can be solved from two aspects. From the offline point of view, the restaurant

can develop characteristic dishes, choose green food ingredients and other aspects of the joint implementation, better form the corporate culture of the restaurant. Not only that, but also the development of food and beverage derivatives. First of all, the restaurant's dishes can be packaged and specially treated so that they can be kept for a long time and provided to customers. In this case, customers can buy portable dishes in the restaurant and use them at home, which not only ensures the safety of the food, but also enables customers to enjoy the restaurant food at home. In addition, with the improvement of people's material living conditions, in the post-epidemic era, small and medium-sized catering industries can develop other products other than food as selling points, which can not only attract enough customer flow, but also sell these items. For example, with "old times" as a selling point, we can develop more cups and tableware that are relatively retro in appearance, and mark the logo of the enterprise. Such derivatives are generally more expensive than similar commodities, generating a greater return for the same cost.

Another approach relies heavily on the Internet. First of all, the small and medium-sized catering industry should pay attention to the delivery mode and choose to cooperate with Meituan and other delivery companies. In current China, takeout has gradually become one of the mainstream ways of people's diet. Catering enterprises can focus on the development of food to meet the different needs of different consumer groups and stimulate consumption through various activities to reduce profits without changing the quality of food to attract customer flow. According to the research by China Hotel Association, by the end of 2019, the user of takeoff app was about 460 million people, which increased about 12.7% compared to the last year.[11]

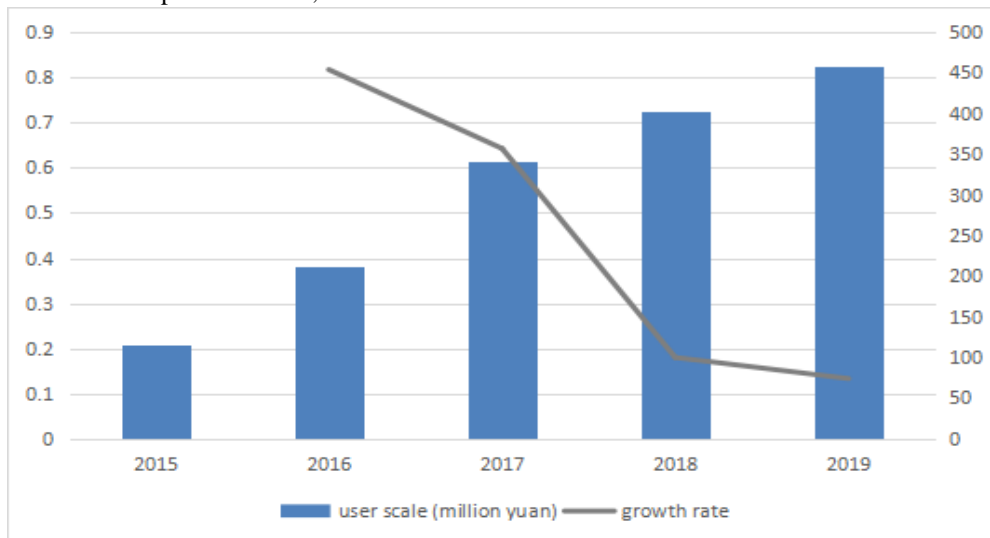


Figure 3 Scale and Growth rate of Takeout consumers in China from 2015 to 2019 by China Hotel Association

Also, it uses media such as Tiktok, Bilibili, Kuaishou and other mobile software for publicity. In

today's information age, short video software has become a part of people's life. According to the research

by the media company, Tiktok reached 680 million daily active users in 2021. Thus, the Small and medium-sized catering industry can open an official account to show the outstanding advantages of the restaurant and attract more customer flow. At the early stage of registration, it may not attract too many people to watch, enterprises can buy notifications from the assistant of each app, and make more notifications for people in the vicinity of the restaurant, and play the characteristics of the restaurant according to its own advantages. In addition, enterprises can also choose to cooperate with the users who have a certain number of fans in the software, invite these people to the restaurant for dinner and evaluation, and further expand the popularity. Finally, certain benefits can be issued to attract customers, such as following official accounts in exchange for dishes, to further attract fans.

3.3. Develop the technology

In terms of technology, mainly in the small and medium-sized catering industry in offline restaurants. First of all, enterprises can make reasonable use of mobile apps and small programs in Wechat, so that customers can scan the code to order, which not only reduces the labor cost and menu cost, but also accelerates the speed of ordering and the efficiency of serving food. At the same time, small and medium-sized catering industry can also improve work efficiency and reduce human consumption by renting robots. Because robots are updated quickly, renting them is more cost-effective than buying them. The price of each robot is about 2000-3000 RMB per month, which is much higher than the labor cost[10]. Meanwhile, this measure also reduces the risk of the outbreak again and reduces the contact between people, which is conducive to the prevention and control of the epidemic.

4. CONCLUSION

In conclusion, at the end of the epidemic, although SMEs are facing problems from capital, reputation, and other aspects, these problems are not insurmountable. Although the epidemic is a great disaster for China's catering industry, it is also an opportunity to refresh and regenerate the market. The withdrawal of some catering enterprises will ultimately enable other catering enterprises to stand out after the epidemic and gain greater profits. To become the survivor, enterprises not only need accurate management and currency calculation, but also need to keep pace with the times, make full use of the new era of tools, grasp the idea of new development model, improve the supply structure, so that the small and medium-sized catering industry will successfully transformation and gain consumer trust. There are some problems in the research, especially in terms of data. Because there is not enough money and time for investigation, and there are few detailed statistics on small and medium-sized catering industry

in the market, the conclusion may be biased to some extent.

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