



# Analysis on Innovation Strategies for the Development of the Catering Industry

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**Abstract.** As a service industry that has the greatest impact on people's lives, the catering industry has a huge market of about 5 trillion yuan in China alone. At the same time, there are 9,608,000 registered catering enterprises in China. In the huge market and fierce competition, only innovation can promote the development of catering enterprises and help them win the competition. Through field investigation, literature research, and case studies, this paper analyzes the innovation strategies that promote the development of two famous catering enterprises, the Kentucky Fried Chicken (KFC) and Haidilao Hot Pot. In conclusion, the innovation strategies in localization, service, product, and technology are conducive to the development of catering industry.

**Keywords:** Innovation, Catering Industry, KFC, Haidilao Hot Pot.

## 1 Introduction

The competition in the catering industry is fierce. Most operators focus on how to win the market competition through lower prices and more preferential discounts, but ignore the huge innovation potential of catering companies. In contrast, Western restaurant companies, led by the United States, have achieved a great success by innovating in overseas markets. In this paper, through case analyses, the innovation strategies of two successful catering enterprises, the Kentucky Fried Chicken (KFC) and Haidilao Hot Pot, are summarized, thus helping readers understand and learn from the successful experience of food and beverage giants in the field of innovation, as well as the importance of innovation for catering enterprises to win competition in the market, so as to help Chinese catering enterprises generate more innovative ideas to promote their development and progress.

## **2 KFC: A Successful Case of Western Fast Food Localization Innovation**

### **2.1 Localization in the Brand Image**

In terms of the products, while McDonald's and many other foreign food and beverage brands in China are committed to creating a "foreign" image and constantly exporting a "foreign culture", KFC takes a different approach and focuses on creating its own brand localized image. That is one of the reasons KFC has far more stores in China than McDonald's, and it has a greater affinity with the Chinese [1]. One of the significant differences between Chinese and Western cultures is collectivism and individualism. Compared with the West, Chinese people tend to have a deeper concept of family. KFC comes from the West, but when it developed in China, it quickly changed its brand positioning. In its advertising, KFC focuses on highlighting the happy parent-child time when families get together at KFC. At the same time, it also combines children's favorite animation IP design toys with children's set meals to bundle sales. In addition, some stores even set up a special area for children. Therefore, KFC seems to have become the "children's reward", attracting and retaining children, and is on the harvest of a large consumer group through a Chinese and Western combination.

### **2.2 Localization in the Brand Positioning**

In addition, with the growing personalized needs of Chinese young people and the appeal of "health regimen", KFC continues to transform its brand positioning and create a youthful, sunny, and healthy brand image. On the one side, KFC has signed a number of young idols to attract young people. On the other side, the White Paper of Healthy Food Policy of KFC in China was released to create a new health brand positioning -- "advocate balanced nutrition and healthy life", and integrate the spirit of health and fitness into the brand image. In recent years, KFC even launched KPRO (KFC Pro) green restaurants, with fresh fruits and vegetables in the season according to healthy eating standards, in order to create a new light food healthy meals and be fully in line with young people's "health regimen" needs.

### **2.3 Localization in the Business Model**

In the process of expansion, KFC first took the franchise form as the franchise model, and improved it [2]. KFC took Xi'an, a city of China, as the pilot to carry out franchise chain operation. Before delivering the store to the operator, KFC had already realized operation and started to make profits. To conclude, KFC adopts the form of franchise to achieve the fastest development in the shortest time. KFC's franchise model in China can be called "starting from scratch" franchise, which is also a localization development strategy of KFC.

### **3 Haidilao Hot Pot: A Successful Case of Traditional Chinese Restaurant**

#### **3.1 Service Innovation**

When it comes to Haidilao Hot Pot, the most interesting thing is its service. Service has become a core competitiveness for Haidilao to attract consumers and a key factor to achieve sustainable development. Haidilao's service is not provided and seen in a small part, but has formed a complete system for the customer from when they come at the door to the moment they leave. Compared with other similar hotpot restaurants, Haidilao solves the common problems when operating a restaurant through a form of outstanding service. While the average hotpot restaurant let their customers wait until they are out of patient and get anxious, Haidilao is different with its warm services, such as serving customers with fruits, snacks and drinks for free. At the same time, customers can surf the Internet for free while waiting, and women can get their fingernails painted for free while waiting. Because of this, many customers are even willing to wait in the queue of Haidilao, which forms a service sign and effectively retains the customer source [3]. Although this seems to be a little thing, it makes customers feel the difference between Haidilao and other hotpot restaurants, which helps avoid a customer loss and effectively improves the turnover.

In addition to the service during customers' waiting, Haidilao also provides a different and outstanding service when customers order their meal. For example, many customers like to order a lot of dishes especially when inviting their friends to eat. Generally, the more dishes the guests order, the more welcomed they are by the restaurants. However, the waiters of Haidilao will give a timely reminder to the guests, letting the customer feel the consideration for themselves. At the same time, during the meal, Haidilao will also provide considerate services, such as providing hot towels, aprons and hairpins for customers to ensure them a better dining experience. All in all, details like these combine to form a service system. In addition, Haidilao has established a special place for children to play, so that parents with children can concentrate on the meal without worrying about their children. The waiters of Haidilao can take the children to play and feed them, acting as temporary "babysitters". What is more, customers in Haidilao will be immediately handed over a tissue after the meal, which makes the customers feel like they are in a star hotel. Although some of these services will increase the operating cost, they are conducive to bringing a stable source of customers, an expanding loyal consumer group, and a good reputation of brand.

Although many restaurants have done the same service as Haidilao, the service fails to be systematic and institutionalized. Therefore, the service of Haidilao appears more prominent, and this is what catering enterprises need to learn from. The high-quality service of Haidilao has become one of its core competitiveness and one of its distinctive signs. More importantly, the service of Haidilao has established a complete set of perfect system, which has left a deep impression and won the recognition of customers.

### 3.2 Product Innovation

Since the winter solstice, local hot pot consumption has entered the peak season. On December 27, the new tasting meeting of "2022 new dishes is coming" was held in Shanghai. At the tasting meeting, Song Qing, the executive director of Haidilao and the director of product committee, revealed the new product planning of Haidilao. In the future, Haidilao will promote new products from the hotpot seasoning, dishes to snacks, implementing all-round innovations. It is worth noting that the "user co-creation" will become the key direction of product innovation in the industry. This time, Haidilao has launched a total of 7 new products. "Haidilao has always had two product research and development teams. One is a small team composed of the staff inside Haidilao, and the other is a large team composed of more than 85 million of Haidilao members" [4]. Song said. In the future, Haidilao will take the huge customer research and development team as another approach for product development.

Song Qing also revealed at this tasting meeting that on the basis of adhering to continuous innovation, Haidilao's product planning will further focus on three dimensions, namely product development innovation, product structural innovation, and product updating at least twice a year. The updating system will be based on the regional level and the country level. The country level refers to the unified action and theme in all of the national stores. The regional level aims at regional eating habits, which can achieve new products that are more in line with the regional food culture, and then promote them to the nationwide stores in the future [5].

The overall new thinking of the national stores will be coordinated by two new types of menu. One is a fixed seasonal menu, which will be released every year for new products in spring and summer, as well as in autumn and winter. The other is a theme menu. The new products are made according to the irregular theme, such as the holiday theme menu and the night snack theme menu. Shen meng, the executive director of Chanson International, said that the previous expansion of Haidilao enjoyed the dividend of the rapid development of domestic economy and consumption. With new pressure and challenges of economy and consumption, the previous model could not bring better returns to Haidilao [6]. Therefore, in order to better adapt to the new market environment, Haidilao has not only closed a large number of stores with poor performance, but also paid more attention to improving and optimizing the intensive development mode to meet the needs of consumers.

### 3.3 Technology Innovation

In 2018, after three years' preparation, Haidilao launched a smart restaurant [4]. Through technical means and intelligent equipment, an all-round intelligent transformation was carried out. According to the previous customer feedback, problems mainly involve "slow service", "not fresh food", and "not good taste" [7]. But these complaints are rare after stores use intelligent equipment to serve. Shao zhidong, the chief information officer of Haidilao, stated: "since the launch of the first smart restaurant in 2018, Haidilao has gradually promoted some core technologies in its attempts. For instance, the intelligent pot dispensing machine has been used in more than 70 Haidilao

stores. The dish-serving robot is deployed in more than 1,000 stores, and the intelligent exhaust equipment has been deployed in more than 600 stores. The application of these new technologies also brings more quality experience to consumers, such as the "private customization" of dishes and the "thousands of flavors". The efficiency of the dish delivery machine can ensure the speed of serving. At present, a dish transmission robot can deliver more than 300 plates a day, and the number can reach 400 at the peak time, which is equivalent to the efficiency of 1.5 to 2 ordinary staff. In addition, Haidilao's intelligent restaurant is also equipped with a large screen, which enables customers an immersing experience of 360 degrees, from music to social interaction, thus improving consumers' dining experience. It can be said that the exploration of smart stores in the past three years has been fruitful. The improvement of technology research and development will also be applied to other Haidilao stores so as to continuously improve the overall level [8]. In conclusion, this is a project worth long-term investment.

Moreover, it is found that, in addition to reducing the cost and increasing the efficiency, Haidilao's intelligent restaurant has also improved the dining experience of customers. Shao Zhidong stressed that the intelligent restaurant of Haidilao will not be an unmanned restaurant. "If the use of new technology reduces the customer experience and destroys the connection among people, we will not consider it." Zhou Zhaocheng, the chief strategy officer of Haidilao expressed the same opinion that both the application of new technologies and the promotion of smart restaurants are ultimately people-oriented. It is a core for the service industry to truly be people-oriented at different levels. That is to say, in the foreground service in the future, Haidilao will still choose to have employees serve customers, supplemented by the food delivery robot at the same time. Since there is no need to deal with customers in the kitchen, Haidilao will work toward an unmanned kitchen. This can not only reduce human participation, but also reduce the risk of exposure of food and strengthen food safety. It fully reflects Haidilao's deep understanding on the digitalization of intelligent restaurants and catering industries.

## 4 Conclusion

Through case studies, this paper analyzes the innovation strategies of the Kentucky Fried Chicken (KFC) and Haidilao Hot Pot. Conclusions can be drawn that localization innovation, service innovation, product innovation, and technology innovation are all conducive to the development of the catering industry. On the one side, a localized brand image, product positioning, and business model help KFC better integrate into the local culture, thus enhancing customer loyalty. On the other side, the different service of Haidilao leaves customers a deep impression and win their recognition. Its product updating system also meets the needs of consumers. What is more, the launch of the smart restaurant has not only improved the efficiency, but also provided customers a better dining experience. Therefore, future studies can focus more on the field of innovation for catering enterprises, so as to help Chinese catering enterprises become more competitive in the market.

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