



Impact of the COVID-19 Pandemic on the Catering Industry: Take the Chinese Catering Industry as an Example

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ABSTRACT

As the Covid-19 spreads wildly in China in early 2020, due to the widespread worry about infecting the COVID-19 and the government policy, the Chinese catering industry has been huge damaged. Many catering companies, especially small and micro catering companies, are facing problems such as revenue reduction, raw material difficulties, capital chain interruption et al. during the COVID-19. Therefore, this research aims to propose some strategies for the current problems of the Chinese catering industry and the impact of the COVID-19, as well as expect that can help catering companies get out of the predicament and increase their revenue. This research analysis some Chinese catering companies with higher revenue than the average revenue during the COVID-19 period. Find out the differences between these companies and other general catering companies through data analysis as well as comparison, then conclusion the differences between them. Finally, the three strategies of “Diversified operating model”, “Increasing the standard of entering catering industry”, and “Robot replacement Attendant Program” respectively are obtained. In general, the research provides some opinions and strategies for Chinese catering companies to increase revenue during the spread of the COVID-19, as well as be expected to provide some reference for the recovery of the catering industry around the world.

Keywords: COVID-19, Catering industry, impact, strategies

1. INTRODUCTION

With the outbreak of COVID-19 in the world, China's catering industry has been greatly affected. This paper focuses on the impact of COVID-19 on the catering industry and a series of measures to deal with the epidemic.

The outbreak of COVID-19 in the world has caused tens of thousands of people to lose their precious lives. Meanwhile, the appearance of the epidemic in China has also led to the loss of tens of thousands of restaurants. Most of these restaurants also have their problems. This article focuses on the impact of COVID-19 on the catering industry and a series of measures taken by the catering industry to cope with the epidemic. Through the analysis of the data in this paper, we found the problems and solutions in the restaurant, which can help managers survive in the difficult environment of the epidemic.

Nashirah and Sofian found that the coronavirus disease (COVID-19) is a new pandemic that affected the worldwide human population. COVID-19 is caused by the virus severe acute respiratory syndrome coronavirus. The spreading of COVID-19 contributes to a large number of deaths (40,598 deaths by 1st April 2020). The spreading of this pandemic creates panic among the public that contributes to a decrement trend in the tourism industry. The result shows, that the decrement in-demand function creates a decrement in equilibrium price offered and equilibrium quantity supplied. [1]. The results from Wu et al. demonstrated that Chinese GDP and almost all industries' revenue will decrease on a year-on-year basis. Among them, the impact on high-risk areas and the consumer-intensive industries are more significant. However, Wu et al. believe that the government's policy regulation will give a positive impact on the economy [2]. Shi and Li believe that the impact of the coronavirus

outbreak in early 2020 is very different from that before. The Chinese economy is in the transition period from high-speed growth to high-quality development. In China, the service industry, manufacturing, breeding industry, and agriculture have been hardest damaged by the COVID-19 [3]. Kaur believes that the COVID-19 pandemic has dealt huge damage to the economy. The study has attempted to identify the major business-related issues faced by textile entrepreneurs due to the COVID-19 pandemic. These issues were impacting working capital and employment, being equipped with digital capabilities, effect on future market promotions, opportunities in adversity, health issues, goods in transit, and no effect on work [4]. Liu et al. believe that the COVID-19 pandemic has had a significantly negative impact on public sentiment, which has resulted in panic and some irrational buying behavior, which in turn has had a complex impact on agricultural product prices [5]. Song et al. believe that the impact of COVID-19 on the restaurant industry is significant, but larger companies with full cash flow will be less affected by COVID-19 relative to other companies [6]. Zhang et al. considered that under COVID-19, consumers are more inclined to go to famous restaurants with delicious dishes, an excellent environment as well as good epidemic prevention work. In addition, Zhang et al. point out that under COVID-19, to ensure revenue, the takeout services had a significant increase in restaurants [7]. The survey results from Azevedo and Melo illustrate that takeout services are being used during the COVID-19, as well as the proportion of people who use takeout services can be estimated to increase in the future. Azevedo and Melo point out that restaurants might need to spend more on optimizing takeout services to rise restaurant revenue during COVID-19 [8].

This paper focuses on helping the catering industry managers survive this difficult time of the epidemic. This paper describes and concludes three aspects: the impact of the epidemic on the catering industry, the problems existing in restaurants, and the solutions to the difficulties caused by the epidemic. It includes the analysis of whether the business model is single, the study of restaurant raw material supply from the perspective of the supply chain, and focuses on the impact on small and medium-sized catering enterprises.

2. IMPACT

2.1. The decrease in customer flow

It is generally believed that amount of restaurants' revenue is proportional to the customer flow. According to the revenue of the catering industry in China from the Chinese National Bureau of Statistics (<http://www.stats.gov.cn>), the cumulative revenue of the Chinese catering industry was 4271.59 billion yuan in 2018, of which 15.48% came from the Chinese New Year

(Chinese New Year usually in January and February) and 4672.07 billion yuan in 2019, which 15.52% came from the Chinese New Year (Figure 1) [9].

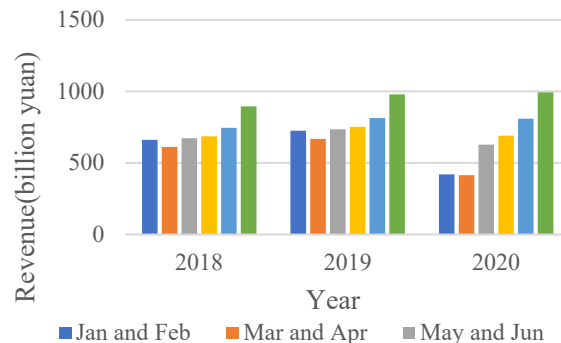


Figure 1 Bimonthly revenue of the Chinese catering industry in 2018-2020

However, on the eve of the Chinese New Year, the COVID-19 spread rapidly from Wuhan China to the whole country. To curb the spread of the COVID-19, the Chinese government has published policies that citizens should reduce unnecessary population movements and meetings, postpone the resumption of work, work online, reduce going out et.al. Although these policies have curbed the COVID-19 spread in China, restaurants' customer flow decreased significantly during this period. It gave a direct and great blow to the catering industry, which mainly relies on contact to complete services. According to the data from the Chinese National Bureau of Statistics, compared with 2019 (1064.41 billion yuan), the revenue of the catering industry in the first quarter of 2020 (602.63 billion yuan) dropped by 43.38% [9]. 99.2% of catering companies indicated that their revenue had dropped significantly during the Chinese New Year, as well as 80% of them indicated that there was no revenue during the Chinese New Year [10]. This situation is largely caused by the decrease in restaurants' customer flow.

2.2. Supply chain be battered

At present, the circulation of agricultural products in China is still dominated by the wholesale market model. This model has many links, time-consuming and huge losses, and it is difficult to ensure food quality, safety, and traceability. In response to this emergency, the original loose and chaotic supply model has been challenged, and the logistics industry is controlled by the government. Therefore, downstream enterprises and sales platforms cannot find reliable fixed supply channels in critical periods.

Logistics and consumption restrictions have greatly increased the losses of the offshore industry, and logistics, consumption, and market have limited the circulation of seafood. Affected by the epidemic, the supply and demand of water and seafood in China are unbalanced

and the connection between production and marketing is insufficient. Aquatic products can be produced but cannot be sold or sold poorly. People need but do not have appropriate channels and places to connect. Buying water and Seafood Online has become a feasible way.

On the other hand, the supply chain of imported seafood has changed since the outbreak of the epidemic for more than a month. Chile, Scotland, Norway, New Zealand, Australia, and other countries have stopped supplying salmon, lobster (more than 90% of Australian lobsters are exported to China), crab, and other high-end common seafood products to China. A large number of commodities are eager to find new international buyers to take over, which also affects the decline in international prices of seafood.

2.3. Fixed cost increase

Shi and Li analyze the impact of the Covid-19 on the development of China's catering industry and countermeasures. Shi and Li have agreed that large-scale chain restaurants, food stalls, food stalls, and food streets across the country have actively responded to the call to close their stores. In the catering industry, small and medium-sized enterprises account for the main body, have the poor anti-risk ability, and have higher requirements for cash flow and the consumer have become pickier about catering enterprises, which may lead to an upgrade in the demand for catering consumer services, and consumers need more advanced food safety services, such as transparent catering production space, traceable safe food materials, etc. [3].

3. EXISTING PROBLEMS

3.1. Single operating model

The catering industry is an industry that has a relatively single operation and profit model [11]. Judging from the current situation of the catering industry, most catering companies are more focused on providing dine-in services rather than takeout services or another operation strategy. According to the data from the Chinese National Bureau of Statistics, in 2018, the revenue of the Chinese catering industry was 4,271.59 billion yuan, as well as in 2019, it rose to 4,672.07 billion yuan [9]. However, in 2018, the revenue brought from takeout services to the catering industry was only 469.2 billion yuan, accounting for 10.98% of the total revenue. In contrast, the revenue brought from the takeout service in 2019 had a significant increase, to 653.6 billion yuan. However, It only accounts for 13.99% of the total catering revenue [12].

However, due to COVID-19, the dine-in revenue of catering companies is not satisfactory. In 2020, in Wuhan, the severely afflicted area by the COVID-19 outbreak in China, the government issued the no dine-in policy. The

policy made the restaurant in Wuhan close almost all restaurants between February and April to block the spread of the COVID-19. At the same time, most restaurants in other regions of China have also reduced their revenue due to the COVID-19. In this case, although the revenue of takeout service in 2020 still had a steady increase, at 835.2 billion yuan. Compared with 2019, the total revenue of the catering industry in 2020 has dropped by 15.39%, to only 3952.73 billion, among them, the proportion of takeout service revenue is as high as 21.13% [9]. The spread of COVID-19 has had a big impact on dine-in services in China's catering industry.

Therefore, the operation strategy that focuses on dine-in makes the revenue structure of the catering companies very fragile. It means that these catering companies lack the ability to be against emergencies and risks. If these catering companies encounter some unexpected events, such as the spread of the epidemic, their revenue will lose significantly.

3.2. Increasing competition

According to the relevant website data, in 2021 the number of stores that applied for closure nationwide reached 1 million, it is worth noting that these are the stores that apply for closure, behind this data many stores have not been publicized, according to relevant data, of which 400,000 are fast food stores, 350,000 are milk tea shops, and there are nearly 100,000 hot pot shops. After the epidemic, in the short term, the problem of unemployment will follow. But in the long run, there are still many opportunities in the restaurant industry, which means in the long run more restaurants are likely to appear in the market so more job opportunities will appear.

The top priority of catering bosses is to "open source and reduce expenditure", exert efforts to take out, deliver, group meals, retail and other businesses, multi-dimensional to enhance the anti-risk ability of enterprises, while closing stores with poor efficiency, stopping losses in time, and obeying the fate of personnel.

After the resumption of work, catering still faces survival challenges and market reshuffles. In this difficult war, various policies have been introduced to support the catering industry and revive the catering economy. However, to revive the vitality of enterprises, it is also necessary for catering enterprises to take the initiative, adjust in time, and make continuous efforts to strive for more space for themselves to "live".

3.3. Shortage of human resources

After the outbreak of the epidemic, due to a series of problems in safety and remuneration, the restaurant lost a large number of employees and it was difficult to return to work.

Employees in the catering industry are mainly grass-roots waiters, and catering stores generally have individual business licenses, so they do not pay social security for employees. Affected by the epidemic, many people are unwilling to go out to work in the short term, and the employee turnover rate will be very high. In many restaurants are hard to get back to work, and no one works. Taking Haidilao company as an example, it closed more than 300 stores due to a lack of human resources, resulting in a direct loss of about 3.6 billion yuan.

Therefore, we should strengthen employee welfare and let employees have a sense of identity with the enterprise. We should not be limited to the state of short-time work, but also retain employees when the enterprise is in difficulty.

4. DISCUSSION AND IMPLICATIONS

4.1. Diversified operating model

In response to the problem of the single operating model, catering companies should adopt diversified operating models as soon as possible, it can make up for the financial loss caused by decreased dine-in revenue.

To achieve diversified operating models, there are many strategies such as opening or expanding takeout services, selling semi-finished food et al. Firstly is opening or expanding takeout services. Yum China's major revenue brands KFC (Kentucky Fried Chicken) and Pizza Hut both have relatively good takeout services. Besides relying on the takeout service provided by the takeout platform, they also have their takeout channels. In 2020, KFC's takeout services revenue accounted for 28% of total revenue, and Pizza Hut's takeout services revenue accounted for 36% of total revenue [13]. This proportion is much higher than the proportion of takeout services revenue in Chinese (21.13%). According to statistics, it is clear that the change rate of Yum China's operating revenue in 2020 compared to 2019 is better than the change rate of the Chinese catering industry's total revenue (Figure 2) [14].

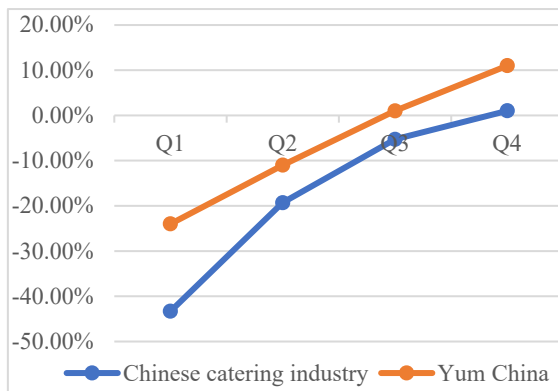


Figure 2 The total revenue change rate of Yum China and the Chinese catering industry in 2020.

In addition, selling semi-finished food is also a good strategy. At the time of the COVID-19 break, the owner of Chinese catering brand Xibei said that due to the huge loss of operating revenue, Xibei's capital chain may not be able to last for three months. However, Xibei has increased its revenue by partnering with some supermarkets to sell semi-finished food and expanding its takeout service. Through these two strategies, Xibei not only obtain financing during the COVID-19 period but also enabled nearly 200 stores to remain operating as usual.

Therefore, the opening or expansion of takeout services and selling of semi-finished food can effectively help catering companies against the revenue reduction caused by COVID-19.

4.2. Increasing the standard of entering the catering industry

During the Covid-19, many small and medium-sized catering enterprises closed because the industry standards are too low. Raising the standards of catering enterprises to improve their competitiveness is a better solution to this problem. For example, restaurants regularly train and educate employees, and implement high standards of catering services to improve the standards of catering staff. In addition, the restaurant itself also needs to achieve high standards and strict requirements, strict self-discipline, sanitary conditions, and catering quality are the two consumers, and the market is more important, the restaurant needs to focus on customer service. In this era of new media, the catering industry can seize the characteristics of the current young people's large demand for short videos, and invite more short video anchors, such as food commentators, to shoot videos of visiting the store to enhance the popularity of restaurants and avoid closures.

4.3. Robot replacement Attendant Program

The sustainable development of the industry urgently needs to control the proportion of labor costs and improve labor efficiency. One of the solutions is to develop intelligent services and use robots to replace manpower. Robots can solve the widespread problem of goods transportation in the service industry and improve efficiency while reducing transportation costs.

The intelligent kitchen can be said to be a highlight of Haidilao's smart restaurant. It has set up intelligent facilities such as an intelligent dish warehouse, automatic dish delivery and serving machine, real-time monitoring of each dish, and kitchen master control, which not only realizes the automatic production of the kitchen, saves labor cost but also ensures food safety.

5. CONCLUSION

The paper mainly researches the impact of the COVID-19 on the catering industry. Several impacts have been mentioned, including the decrease in the customer flow, the supply chain has been destroyed and the fixed cost would increase.

Because of these impacts, some problems would exist in the catering industry, including most producers tending to use a single operating model which may lead to an increase in the competition level and the shortage of human resources, and hence the shortage will exist in the labor market.

In order to solve these problems, that arise from the COVID-19, the catering industry should act to overcome them. The diversification of the operating model is highly recommended since now it can make up for the financial loss caused by decreased dine-in revenue. What is more, the increase in the standard of entering the catering industry could increase the competitiveness of the single catering company to avoid exiting the industry. Last but not the least, the Robot replacement Attendant Program can ensure sustainable development of the and improvement of labor efficiency. By adopting these solutions, the catering industry is likely to eliminate the problems that the Covid-19 brought.

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