



Study on Crisis Management System of Old Restaurant Enterprises Under the COVID-19

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Abstract. The outbreak of the new crown epidemic has led to more severe damage to the old restaurant enterprises, which have fallen into a depressing situation. To explore the sustainable development of old-established catering enterprises, which are responsible for inheriting Chinese traditional food culture. This paper analyzes the factors that lead to the loss of old-established catering enterprises under the epidemic through crisis management theory and points out that the sustainable development of old-established catering enterprises is limited due to the incomplete crisis management system. The paper also proposes solutions for the sustainable development of old restaurant enterprises from the perspective of crisis management from the viewpoint of “survival” and “development”. It is expected to provide theoretical exploration and practical application value for research in this field.

Keywords: New crown epidemic · crisis management theory · sustainable development of long-established restaurant enterprises

1 Introduction

At the end of 2019, a storm of the New Crown epidemic swept across the country, and many catering enterprises suffered continuous losses due to multiple factors such as epidemic control. Even the “evergreen tree” of the catering industry—old-established catering enterprises are also in a depressing situation. According to the data, before the outbreak of the epidemic, the revenue and performance of the old catering enterprises is very considerable, according to the Ministry of Commerce on 1128 Chinese long-established enterprises in a 2019 business survey found that 84% of the enterprises in a profitable state, 1% of the enterprises in relative balance; from the enterprise revenue, the annual operating income of 50 million yuan or more accounted for nearly 50% of the enterprises, Chinese long-established enterprises The overall profit margin reached 2.7%, and half of the enterprises had a profit margin of over 6%. It can be seen that the market competitiveness of the old-established catering enterprises is very strong, the brand influence has been significantly enhanced, and the overall development momentum is good. [6] With the outbreak of the epidemic and the deepening of its scale and extent, the pressure on catering enterprises is more serious. In terms of national catering

revenue, it fell 44.3% year-on-year in the first quarter of 2020, and the situation remained unchanged in other quarters of 2020. With the outbreak, it is equally inevitable that long-established catering companies have suffered a huge blow, and even the long-established classic brand Quanjude has experienced a business crisis. According to the 2020 results announcement, the company achieved an operating income of 783 million yuan in 2020, down 49.99% year-on-year, with a net loss of 261 million yuan attributable to shareholders. Although the company's revenues in the third and fourth quarters were 204 million yuan and 268 million yuan, respectively, with improved revenues and narrowed losses, the operating situation has still not fundamentally changed. 2021 has seen a gradual improvement in the restaurant industry's operating conditions since the epidemic was normalized and effectively managed, with the epidemic being under control and the suppressed national consumption demand being released. 2021 The catering market size has recovered to 4.7 trillion yuan, an increase of 18.6% year-on-year.

As you can see, this new crown epidemic is a huge shock for the old catering companies. Take Beijing's famous old restaurant company Quanjude as an example, it disclosed its 2021 annual report, with 2021 revenue of 948 million yuan, up 20.99% year-on-year; the net loss attributable to the mother was 157 million yuan, compared with a loss of 262 million yuan in the same period of the previous year. Although there have been some signs of "recovery" compared to the substantial losses at the beginning of the epidemic, it is still one of the industries that have been severely damaged. To further protect China's traditional food culture and save the old restaurant enterprises from decline, it is necessary to conduct an in-depth study on old restaurant enterprises, to improve their ability to "survive" in response to the epidemic on the one hand, and to "seek development" in the post-epidemic era on the other. "On the other hand, it provides useful paths to explore in the post-epidemic era. [1] This paper uses crisis management theory to analyze and promote the competitive advantage of catering enterprises and achieve sustainable development by improving the awareness of crisis management and implementing the improvement of response speed and response-ability to rapidly respond to emergencies at the operation level, which has theoretical exploration significance and practical application value [3].

2 Literature Review

A lot of results have been achieved in the literature on the research of catering enterprises during the epidemic period. From the viewpoint of research objects, the existing literature has mainly studied small and medium-sized catering enterprises and the whole catering industry, and there are few studies on long-established catering enterprises. In terms of research methods, most of the existing literature uses qualitative research, occasionally risk management theory and questionnaires, and lacks theoretical perspectives on the impact of public emergencies such as epidemics on enterprises. In terms of research questions, the existing literature mainly focuses on the financial difficulties, business strategies, and cost control of restaurant enterprises, but there is less research on the overall competitiveness of restaurant enterprises. Based on the above-mentioned shortcomings, this paper focuses on the long-established catering enterprises, which are rich in Chinese traditional food culture and have the status of "evergreen tree" in the

catering industry, as the research object. Given the epidemic and the benign development of catering enterprises in the post-epidemic era, this paper applies the research perspective of crisis management theory to provide a theoretical basis for catering enterprises to “survive” on the one hand, and to make useful insights for catering enterprises to “develop” on the other. On the one hand, it provides a theoretical basis for restaurant enterprises to “survive”, and on the other hand, it provides useful insights for restaurant enterprises to “develop”. In response to the specificity of the existing literature, this paper focuses on the overall development of old restaurant enterprises, which is more systematic and comprehensive than the existing studies.

3 The Logical Relationship Between Crisis Management Theory and the Sustainable Development of Long-Established Catering Enterprises

The goal of crisis management theory is to make the enterprise recover from the crisis state to the initial state. When considering crisis as a process, the goal of enterprise crisis management is to reduce the possibility of crisis outbreak in the latent period of crisis; minimize the loss caused by the crisis in the outbreak period, and try to rebuild order in the recovery period of crisis. The success of enterprise crisis management mainly depends on the soundness of its internal organizational structure, as well as the smooth flow of information and the soundness of its decision-making system. According to the cycle theory of enterprise crisis management, it is divided into the crisis gestation period, which kills the crisis at the initial stage; the crisis outbreak period, which causes damage to the enterprise; the crisis treatment period, which deals with the crisis urgently and prevents it from spreading; the critical period, which exploits the enterprise’s advantages to explore opportunities; the post-crisis period, which prevents it from entering the crisis again; and the period, which completely solves the crisis and turns it into a profitable development.

It can be seen that the effective use of crisis management strategies can help catering enterprises prevent and identify crises to “survive” in the face of crises, and then explore opportunities from crises to make themselves strong and accumulate experience for smoothly stepping into “seeking development”. [7] For long-established restaurant enterprises, the introduction of crisis management theory can reduce the losses caused by many external factors and is a positive factor that leads the enterprise from “survival” to “development”. If the enterprise can use the crisis management method in time when facing the risk, it can reduce the risk or even eliminate the risk management process. [9] As there are many uncertainties, complexities, and risk factors in the process of the restaurant business, the most significant impact on the future development of the enterprise is riskiness. The construction of the internal crisis management system can help the old restaurant enterprises to significantly improve their survival cycle and achieve the sustainable development of “evergreen trees” to match.

Analysis of old restaurant enterprises in the context of crisis management theory under the epidemic. [8] According to the survey data of the epidemic that lasted for three years, most of the long-established catering enterprises have the ability of crisis

management, but the crisis management system for specific crisis identification, prediction, prevention and control, tracking, and handling is incomplete, which leads to the limitation of their sustainable development under the epidemic. [5] During the epidemic, consumers are more price-sensitive and less willing to dine out for safety reasons. High-end restaurants lacked competitive advantage and consumer appeal in this situation, which affected the performance of established restaurants. To quickly turn around the situation of being trapped by the epidemic, the long-established catering companies pay attention to crisis prevention and control, handling, and other aspects. For example, Quanjude's target customer group is mostly tourists, and the epidemic led to a downturn in tourism, causing Quanjude to lose more customers, resulting in a faster decline in the performance of stores in popular tourist spots. In response to this situation, Quanjude's general manager proposed a solution to deal with the situation by shifting from landmark cuisine for tourists to good localized service. Nevertheless, because Beijing was affected by the recurring epidemic, offline consumption and tourism consumption were more strictly controlled, and Quanjude, which made countermeasures to deal with the situation, still performed poorly. It can be seen that the crisis of catering enterprises during the epidemic is reflected in the suddenness, uncertainty, information resource scarcity, and other external shocks, which are all unexpected blows to catering enterprises, which require enterprises to establish a strong sense of crisis, improve as much as possible the crisis prevention, crisis tracking, monitoring, and crisis summary and turn crisis into opportunity closed-loop management capabilities to reduce or eliminate the possibility of crisis.

According to the survey, some of the old restaurant enterprises have a weak awareness of crisis management and pay less attention to crisis management, which leads to ignoring the "big crisis" that is transforming or may become a major crisis. For example, in the survey on "what preventive measures do you have in crisis management", most of the enterprises first considered internal crisis identification, and only a few of them "have certain predictions for the occurrence of epidemics". This shows that old restaurant enterprises are less likely to consider the impact of major external environmental changes on the enterprise, and they lack crisis prediction ability.

The situation of low accuracy of crisis prediction is more obvious. Although old-established catering enterprises are more capable of predicting crises than other catering enterprises, the prediction of the strength of the crisis and the degree of harm brought by the crisis is lower than reality. For example, some enterprises do not have enough understanding of the crisis brought by this outbreak, thinking that "New crown pneumonia will not expand to affect the development of catering enterprises" and "it is just a normal phenomenon that will disappear soon". Comparing this epidemic with the SARS epidemic in 2008, many long-established caterers said they could perceive the similarity between the two and the possibility of wide spread, but were not aware of the risk of frequent suspension of dine-in food. The misestimation of the uncontrollable risks brought by the epidemic led to a backlog of ingredients and an inability to return the capital because of inaccurate predictions, which made the capital chain even more strained.

Insufficient scientific application of crisis management theory. Catering enterprises mainly take measures when an epidemic occurs, and usually pay less attention to risk

control. For example, most of the established catering industry only took countermeasures when the epidemic spread on a large scale. Although many companies anticipated that they would have to adopt take-out during the epidemic, they did not give much thought to what decisions would be best to apply during the epidemic on take-out platforms and how to resume dine-in after the epidemic, leading to the insufficient response by catering companies in the face of the crisis. To reduce costs, most of them use traditional means such as laying off employees, cutting salaries and increasing take-out varieties.

4 Policy Recommendations

4.1 “Survival” Scenario of the Old Restaurant Enterprises to Solve the Measures

4.1.1 Strengthen Crisis Management Awareness and Improve Crisis Recognition Ability

In the usual business management process, through the understanding of the concept of crisis management, to determine the production process and management process to quickly identify the crisis, and predict the degree of harm crisis. And institutionalize crisis management, and clarify the coordination, science, and consistency of each link in the crisis management process.

4.1.2 Improve the Scientific Nature of Crisis Prediction, Prevention, and Control

Long-established restaurant companies have a certain sense of prevention for food safety, human resources, and financial and strategic crises. But for public events crisis and uncontrollable external crisis prediction prevention ability is weak. Therefore, it is suggested that the old-established catering enterprises should update and edit the enterprise crisis database cases promptly to ensure the dynamism and scientificity of crisis identification, prediction and prevention, and control.

4.1.3 Improve the Overall, Systematic and Scientific Application of Crisis Management Theory

Enhance management’s awareness of the importance of crisis management, develop a process for crisis management in the management process with the characteristics of this enterprise, and make this process a part of staff training and education to cultivate the importance and execution of collective responses to crises to facilitate the reduction of major negative impacts caused by sudden and public crises.

4.2 Measures to Solve the Problem of Old-Established Restaurant Enterprises Under the Scenario of “Seeking Development”

4.2.1 Reserve Funds and Strengthen Cash Flow Management

Cash flow is always the most helpful when an enterprise is facing a crisis. In the epidemic stage, especially for private long-established catering enterprises, they need to make clear

the cash flow preparation plan and management measures, and reserve a large amount of emergency cash flow funds to solve the shortage of supplies or rent, which are prone to high financial problems during the epidemic.

4.2.2 Develop Take-Out Branches to Meet Dining Demand

[2] In an epidemic, the demand for meals has changed significantly and dine-in meals may be suspended at any time. Takeaway not only changes the loss caused by the suspension of dine-in but also satisfies the demand of consumers. By supplementing the supply of takeaway platforms to counter the situation of closing dine-in caused by the unexpected event, while improving the bonding with consumers.

4.2.3 [10] Innovative Products to Improve the Heritage and Innovation of Traditional Culture

Under the conditions of the epidemic, [4] innovative products are the core of competition with other catering enterprises to win, and new products to gain consumers' recognition will not only provide gastronomic pleasure to consumers suffering from the depressed mood of the epidemic but will also improve the cultural heritage of old catering enterprises and enhance the innovation ability based on the heritage.

4.2.4 Play a Sense of Corporate Social Responsibility, Highlighting the Brand Value

[9] Under the great situation of the epidemic, do not forget the sense of social responsibility that enterprises should have, and through the effective path of creating value to return to society, coexist with society in depth, manifesting the brand value and leading the sustainable development of enterprises. For example, the long-established company, White Elephant, donated 5 million yuan for disaster relief in Henan when heavy rains occurred in many places in Henan, which was recognized by the public for its down-to-earth action of practicing the sense of corporate social responsibility, and its sales rose straight up as a conscientious company in the eyes of consumers.

5 Conclusion and Significance

Overall, the impact of the epidemic on the old restaurant companies is mostly negative in the early stage. However, in the post-epidemic era, established F&B companies can bring the thinking of crisis management theory into their business models. Enable different innovative models to stabilize customer traffic, for example, by using digital platforms. In the long run, the epidemic will not only not change the trend of rapid development and continuous upgrading of China's restaurant industry, but will also provide a good opportunity for the restaurant industry to reshape its resilience.

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