Research on the Development Mode of China's Catering Industry

Industry Analysis Based on the SWOT Analysis Method

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Abstract. The catering industry is growing and gradually becoming an important part of China's service industry. Based on SWOT analysis, this paper provides a comprehensive analysis of the development of China's catering industry from four aspects: strengths, weaknesses, opportunities, and threats. This study argues that China's restaurant industry has the advantages of diversified menu choices and diverse cuisine types, the disadvantages of low barriers to entry, the opportunities of China's accelerating urbanization, and the threats of rising prices in China.

Keywords: catering industry, development model, SWOT analysis, China

1 Introduction

Along with the rising incomes of China's residents, the food and beverage industry has become an important service sector that can be found everywhere in that economy. And China's catering industry has developed into a mature system, a large number of enterprises, rich cuisine and other important features, has become an indispensable and important product of residents' lives. Therefore, the study of the healthy development of China's food and beverage industry can greatly benefit the quality of life of the residents of the society, and moreover, it can provide other developing countries in the world with valuable Chinese experience, Chinese cases, and Chinese facts on how to develop the food and beverage industry. This thesis focuses on the development of China's catering industry and utilizes a SWOT analysis to develop the study.

2 Literature Review

The first type of literature relevant to this study focuses on examining the financial aspects of the restaurant industry. Guo Xiangchen [1] analyzes how to better use procurement management, cost control, transaction management, promotion management and other means to reduce the risk of corporate financial management, and he analyzes

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the importance of cash flow to the financial forecasting, planning and control of catering enterprises. Jiawei Xu [2] selected five different types of leading catering enterprises in China and attempted to discover the impact of the impact of the new crown epidemic on the financial quality of different types of catering enterprises and drew conclusions through a comparative analysis of the quality of their corporate assets and liabilities, profits, and cash flows for the three years of 2019 (normal market), 2020 (the early stage of the epidemic), and 2021 (the normalization of the post-epidemic period). Chi Dianzhou [3] conducts a comparative analysis under the Harvard analysis framework for the strategic layout as well as the change of financial situation of catering companies before and after the epidemic from 2018 to 2022 to provide reference suggestions for the development of catering companies in the post-epidemic era. Luo Dingti et al [4] studied the financial risk of the accommodation and catering industry during the new crown epidemic based on the Z-Score model and found that the short-term solvency, development capacity, and profitability of accommodation and catering enterprises declined during the new crown epidemic, and the capital structure was not very robust, and most of the enterprises were in a poor financial condition. Deng Shuting [5] Based on the Z-score model, this paper analyzes the corporate financial risk situation of the accommodation and catering industry, and discusses the impact of the new crown epidemic on the financial situation of the enterprise, and then puts forward relevant suggestions for the enterprise to carry out risk prevention.

The second category of literature, also relevant to this study, focuses on the financing of the restaurant industry. Su Huali [6] screens, researches, analyzes, and interprets and refines the regulatory policies by screening, studying, and analyzing the public information of listed catering enterprises, government data, industry research, and other relevant information, providing feasible suggestions for listed catering enterprises, and helping catering enterprises to successfully achieve listing and financing. S. Y. Leung [7] used the event study method to examine the abnormal returns of five mainland catering companies in the Hong Kong stock market at the beginning of the epidemic and at the time of the epidemic outbreak and found that the negative abnormal excess returns of catering stocks increased substantially as the epidemic intensified and the degree of information disclosure gradually increased. Lan Junru [8] uses the Harvard analysis framework to analyze the key factors of the successful IPO listing of the long-established enterprise Tongqinglou, and she compares the experience of other catering enterprises going public to put forward some suggestions.

In addition, the third category of literature relevant to this study explores the development of the restaurant industry as a whole. Yang Zhaodi [9] based on A Milk Tea Company as a research case, for catering enterprises in the cost control problems, the current situation, as well as the relevant policy recommendations aspects of the research. Jingwen Dai et al [10] found that Nanjing's long-established restaurant brands are not dynamic enough; the digital experience of the consumer journey is poor; consumers are not satisfied with the digital transformation of marketing, and she put forward relevant suggestions. Xu Yiming et al [11] deeply analyze the current situation and existing problems of the application of digital technology in the supply chain of the catering industry and explore the development countermeasures of digital technology in the supply chain of the catering industry. Wang Shougen [12] catering consumption shows accelerated recovery to the good situation, catering industry business subject confidence continued to recover. Chen Ying et al [13] combined with the current characteristics of the digital economy and the theory of brand operation and its laws, investigated and researched the operation status quo of the old Shaanxi catering brands, analyzed the status quo of their brand development, and put forward the activation strategy of the old Shaanxi catering brands. Yu Jiaqi et al [14] disassembled the two-dimensional factors of scene recovery and consumption power in their annual strategy report, and the author put forward the idea that with the change of epidemic prevention and control policies, the consumption scene is expected to be the first to recover, followed by the gradual recovery of consumption power. Song Yi [15] for the characteristics of small and micro catering industry in-depth research and risk analysis, the financial guarantee institutions to small and micro catering enterprises occurring in the process of guaranteed risk analysis of the main problems, and the writer discussed its risk control countermeasures.

Based on the existing literature mentioned above, the possible contributions of this paper are mainly: First, in the research topic, although today, respectively, a lot of research on China's food and beverage industry, but for the development of China's food and beverage industry is almost no research, so the topic of this paper is very novel, but also visible in the content of this paper's research, based on the SWOT analysis of the development of China's food and beverage industry under the perspective of the discussion, it is the inadequacies of the existing research literature. Secondly, in terms of research methodology, this paper utilizes SWOT analysis to explore the strengths, weaknesses, opportunities and threats to the development of China's catering industry. Thirdly, in terms of research samples, this paper adopts real and authoritative data for additional argumentation, and the data are comprehensive and new, which is conducive to drawing more accurate, objective and time-sensitive economic conclusions. Fourth, the paper puts forward targeted and personalized recommendations for the development of China's catering industry.

3 SWOT

3.1 Advantages

Diverse menu choices and diverse cuisine types. As competition in the restaurant industry continues to increase, different restaurant companies are flooding the market. In order to gain a foothold in the highly competitive food and beverage industry, various food and beverage companies will offer a wide range of menu choices with different flavors and price points to satisfy the tastes of different consumers. At the same time, in order to meet the needs of consumers of different nationalities, the catering industry will continue to develop new cuisines. And, with globalization, consumers will begin to develop a willingness to consume dishes from different cultures and exotic tastes. As a result, the catering industry will see the emergence of diversified cuisines containing the characteristics of different countries, cultures, ethnic groups and regions. The aforementioned phenomenon of menu diversification and cuisine diversification in the catering industry can bring consumers a better dining experience and is an important advantage for the further development of the catering industry itself.

3.2 Disadvantages

The restaurant industry tends to have a low barrier to entry. Most of the catering industry does not require a high level of professionalism, skill level and personal qualities of the employed persons, so the entry barrier of the industry is relatively low. However, it is precisely because of the low threshold of the catering industry that many catering enterprises have not formed a good awareness of food safety, and it is difficult to implement the requirements of standardization and normalization in the process of food processing and production. Even the above features will lead to intense competition throughout the industry and further serious product homogenization, which will be a key disadvantage for the economy's restaurant industry to achieve healthy development.

3.3 Opportunities

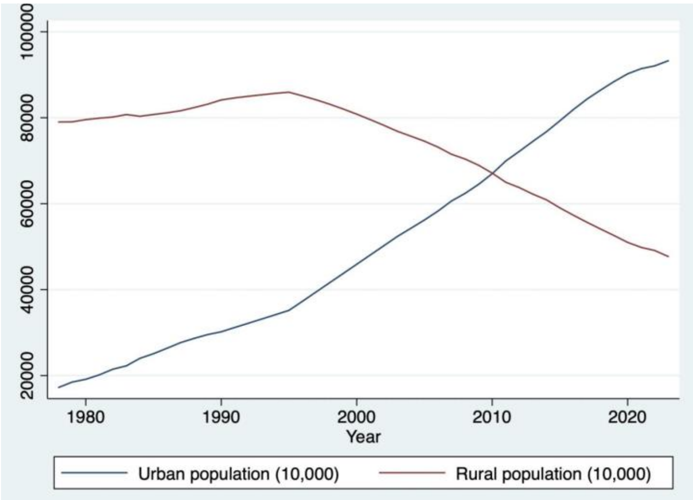

Fig. 1. Trends in the development of China's population. (Source: National Bureau of Statistics of China)

China's growing urbanization. Fig. 1 presents the development trend of urban and rural population since China's reform and opening up in 1978. Based on the perspective of development trend, China's urban population shows a rising trend year by year, while China's rural population shows a rising trend only before 1995, and a significant declining trend after 1995. It can be seen that since the reform and opening up, China's urban population has been expanding, and there has been a period of population expansion in the countryside, followed by a rapid shrinkage of the population after 1995. The above demographic characteristics indicate that China has been characterized by urbanization since 1995. Based on the perspective of development speed, China's urban population has shown high growth for many years, but the growth rate has slowed down significantly since 2022. China's rural population has risen very slowly in the past, while showing a higher rate of decline after 1995. Since 1995 China's urbanization has shown a high rate of development. In particular, it should be noted that in 2010 China's urban and rural populations were equal for the first time, which means that China's urban population development has caught up with the rural level, and the regional urbanization level reached a very significant achievement in 2010. And the gap between the two is getting bigger after 2010, which shows that China's urbanization level is still increasing. China continues to promote and develop the urbanization process can bring more consumers for the catering industry in urban areas, enterprises can through the expansion of the store scale and the expansion of the operating area to develop the market, the entire food and beverage industry will have more and more in the urban areas of the development of the market.

3.4 Threats

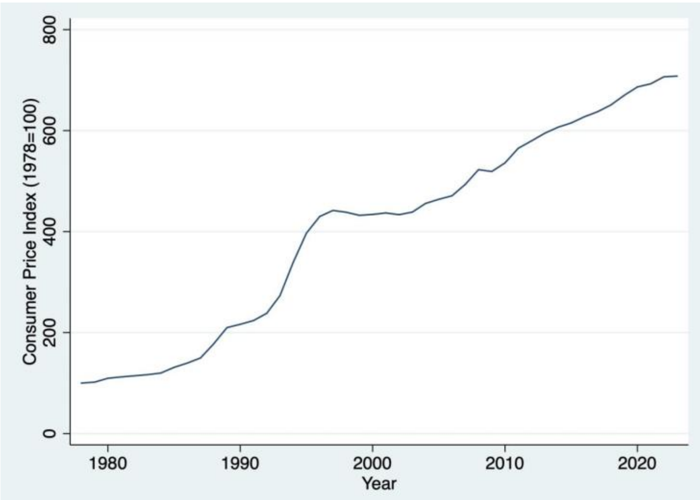

Fig. 2. Trends in the development of the consumer price index in China. (Source: National Bureau of Statistics of China)

Rising price levels in China. Fig. 2 presents the development trend of the consumer price index since China's reform and opening up in 1978. As can be seen from Fig. 2, China's consumer price index is generally showing an upward trend. And the consumer price index in 2023 is about seven times higher than that in 1978, indicating that prices in China have been rising continuously and by a large margin over the past 50 years. The Consumer Price Index (CPI) increased sharply between 1985 and 1997, followed by a slight downward trend between 1997 and 2001, and an almost steady upward trend for the rest of the period. It can be seen that since the reform and opening up, China's prices have shown a development trend of a sharp increase, a slight decrease, and then a slow increase. The trend of rising prices in China will lead to an increase in raw materials and costs, further reducing the profit margins of catering enterprises and putting pressure on the development of catering enterprises.

4 Conclusion

This paper describes and analyzes the advantages of the existence of diversified menu choices and diverse cuisine types in the Chinese catering industry; But at the same time reflects the low threshold of China's food and beverage industry, resulting in fierce competition in the industry, the disadvantages of product homogenization; the Chinese catering industry is facing the opportunity of more consumers as a result of China's growing urbanization; it may be under the threat of shrinking corporate profits as a result of rising prices in China.

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