



Competitive Advantages and Challenges of Haidilao: SWOT Analysis

Li Mei

Institute of Accounting, Wenzhou Kean University, Wenzhou, Zhejiang, 325000, China

1235717@wku.edu.cn

Abstract. Currently, the standard of living of people life is enhancing, so people pay more attention to quality of life. This concern is mainly reflected in the food and beverage industry. This concern is mainly reflected in the restaurant industry. The objective of this article is to investigate the current situation in Haidilao. This article uses the financial data and some reports of Haidilao as research materials. Moreover, this article uses the SWOT analysis as the research tool. The study then compares the projected prices with the actual prices. Furthermore, this study diverges from past research by explicitly examining the case of Haidilao. The findings suggest that Haidilao has powerful advantages and beneficial opportunities. In addition, Haidilao also undertakes heavy weaknesses and faces challenges. Consequently, Haidilao has to formulate policies to enhance its advantages and seize opportunities to acquire more market shares. At the same time, Haidilao also needs to consider carefully how to control its weaknesses and face the challenges

Keywords: Haidilao, the Hotpot industry, The SWOT analysis

1 Introduction

The food and beverage industry (F&B) is one of the largest and most dynamic sectors in the global economy, especially in China. In 2024, the market capacity of the F&B industry is 5.4847 billion yuan, with a 3% growth percentage in China [1]. The F&B industry has a complete industry chain. The upstream of China's F&B industry is primarily composed of suppliers of ingredients, packaging, and tableware; the midstream encompasses various formats, including full-service dining, casual dining, and quick-service restaurants; the downstream is mainly about customers, which can be broadly divided into individual consumers and group consumers. There are many interesting characteristics in China's F&B industry. One of the most notable characteristics is the highly fragmented nature of the food and beverage industry, with no dominant players holding a significant share, and the trend toward market concentration remains unclear.

Additionally, China's food and beverage industry is highly segmented. In terms of kinds of restaurants, full-service restaurants account for the largest market share at 70.7%, followed by limited-service restaurants at 21.4% [2]. Within the full-service Restaurants segment, Chinese cuisine dominates with a 92% market share, among

© The Author(s) 2025

P. S. Borah et al. (eds.), *Proceedings of the 2025 5th International Conference on Enterprise Management and Economic Development (ICEMED 2025)*, Advances in Economics, Business and Management Research 346, https://doi.org/10.2991/978-94-6463-811-0_71

which hotpot, Sichuan cuisine, and Cantonese cuisine are the most prominent, accounting for 13.7%, 12.4%, and 8.2% of the food and beverage industry's total revenue in 2022, respectively [2].

Focusing on the hotpot industry, it also boasts a well-established industrial chain. The upstream of the hotpot industry primarily consists of ingredient production and processing bases; the midstream includes hotpot condiments and hotpot-related products, while the downstream mainly comprises hotpot restaurants and instant hotpot products. The hotpot industry is highly competitive, as Fig. 1 shows, with major players including Haidilao, Xiabuxiabu, Lao Wang, and Qixintian. However, Haidilao, the top player, holds only a 5.8% market share, while Xiabuxiabu, the second-largest player, accounts for just 1.2% [3]. The third to fifth players hold a mere 0.3% market share [3]. Non-chain players still dominate the industry, making the competition exceptionally intense. Haidilao still has significant room for growth and the potential to expand its market share. This paper mainly focuses on the Haidilao. This paper conducts a strategic analysis of Haidilao using SWOT analysis to point out the current situation. It aims to help the Company identify new competitive advantages, break away from the homogeneous competition within the hotpot industry, and enhance its overall competitiveness.

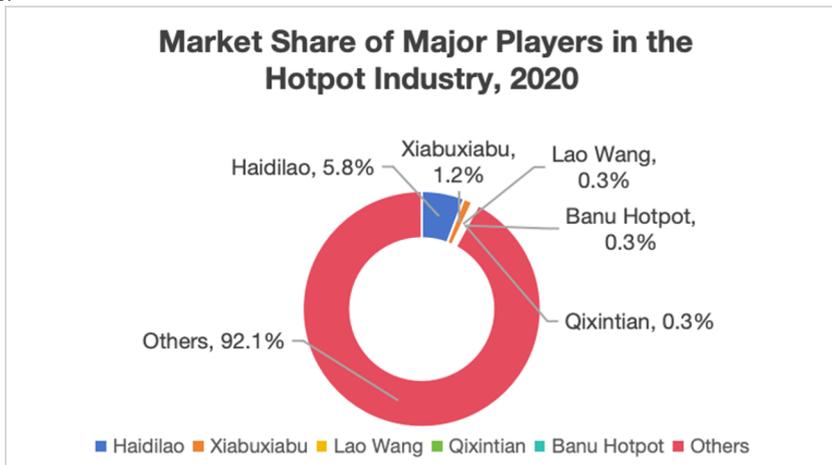


Fig. 1. Market Share of Major Players in the Hotpot Industry, 2020

This paper contributes to using SWOT analysis to assess Haidilao, clarifying its current market position strategically. It aims to help the company identify new competitive advantages, break away from the homogeneous competition within the hotpot industry, and ultimately enhance its overall competitiveness. In order to address the issue of how storm disasters affect the insurance sector stock market in the United States, this research focuses primarily on storm disasters. This paper has compiled a summary of pertinent literature that discusses the effects of natural disasters on financial markets, natural economic disaster models, and stock price volatility. Then, this paper uses the case of Idalia and collects relevant data to analyze using the LSTM model. Finally, a conclusion regarding this question can be reached.

2 Methodology

According to many researchers, SWOT analysis is a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or business venture [4, 5, 6]. Coman and Ronen suppose that the SWOT analysis can distill a company's key advantages and core problems, which combines the external environment to help the Company make strategic decisions [7]. It provides a clear framework for assessing both internal and external factors that can impact the success of an organization or initiative. Strengths are internal attributes that give an organization an advantage, such as a strong brand reputation, skilled workforce, or proprietary technology. For example, Apple's strengths are its innovation ability and customer loyalty, which helped it take a leading position in the global market.

On the other hand, weaknesses are internal factors that disadvantage the organization, such as limited resources, poor infrastructure, or lack of expertise. For example, Apple's over-reliance on the iPhone is a weakness. Recognizing these internal aspects helps organizations leverage their advantages while addressing areas for improvement.

Opportunities and Threats focus on external factors. Opportunities are external conditions that the organization can exploit, such as market growth, technological advancements, or regulatory changes. For instance, the opportunity for Apple is that the demand for smartphones in Southeast Asia is increasing fast. Threats, however, are external challenges that could harm the organization, such as economic downturns, increased competition, or shifting consumer preferences. Fierce competition in the technology industry is a serious threat to Apple.

By systematically analyzing these four elements, SWOT analysis enables organizations to make informed decisions, align strategies with realities, and proactively manage risks. After studying Apple by using SWOT, a brief conclusion can be gained. Apple can utilize brand influence and innovation capabilities to expand the services business and health technology sector. To improve its weaknesses and counter threats, Apple can reduce reliance on the iPhone by diversifying product lines and Increasing R&D investments to maintain technological leadership, particularly in 5G, AR/VR, and health technology. It is widely used in business planning, marketing, and project management to drive growth and success. In addition, SWOT analysis can be combined with other models, such as PEST, which can analyze politics, economy, society, and technology to evaluate the external environment comprehensively.

However, there are some limitations to SWOT analysis. Firstly, the model depends on subjective judgment and lacks sufficient data support. To overcome this weakness, this paper will combine quantitative tools, such as financial analysis and market survey reports, with SWOT analysis to enhance the objective and accuracy. In addition, the SWOT analysis should be updated regularly to reflect environmental changes. For example, the opportunities and threats for many businesses have changed significantly during the COVID-19 pandemic, with rapid online growth emerging as a new opportunity and supply chain disruptions as a significant threat.

In short, SWOT analysis is a powerful strategic tool that can systematically help organizations identify internal strengths and weaknesses, grasp external opportunities,

and deal with potential threats. SWOT analysis provides a comprehensive strategic perspective to the organization by combining specific cases, in-depth analysis of sub-factors of each dimension, introduction of relevant theories (such as PEST analysis or Porter's five Forces model), and emphasis on its dynamic nature (that is, continuous updating according to environmental changes). In addition, by providing specific implementation suggestions (such as leveraging strengths to seize opportunities and overcoming weaknesses to deal with threats), SWOT analysis can help organizations develop practical strategies and provide important support for their long-term success in a complex and volatile market environment.

3 Analysis

3.1 Haidilao

Haidilao, founded in 1994, is a leading hotpot restaurant chain brand in China. It is known for its excellent service and quality dining experience. After going public in Hong Kong in 2018, the Company is committed to promoting a healthy hotpot food culture. Haidilao's core business is catering services, mainly operating hot pot restaurants. In 2023, the food and beverage business accounted for 94.7% of the total revenue [8]. With the core concept of "service first," the Company has established its high-end market positioning through excellent customer experience and consolidated its competitive edge with innovative services and personalized care. In addition, in 2023, Haidilao's turnover will continue to grow, with 150 million members and a net profit of 4,495.4 million yuan [8]. In the cost structure, raw materials and consumables account for the most significant proportion (40.9%), while others include labor costs, rent, depreciation, and amortization. [8]. The Company ensured improved profitability by optimizing the supply chain and cost control.

The annual report of Haidilao in 2023 shows that Haidilao attaches great importance to transparent management and compliance operation, and its corporate culture is centered on "service first" and "employee first," advocating equal respect, innovative learning, teamwork, and integrity responsibility [8]. The Company has continuously improved service quality and employee loyalty through staff training and incentive mechanisms. In the future, Haidilao will focus on improving customer experience, exploring diversified operations, and acquiring high-quality assets to enrich business forms and expand its customer base [8]. Haidilao fulfills its social responsibilities, gives back to society by constructing public welfare libraries and schools, and treats all employees equally [8]. The Company also promoted ESG reform, adopted green energy, controlled carbon emissions, and committed to sustainable development goals, setting an example for the industry [8].

In summary, Haidilao occupies an important position in the industry through its excellent service, strong brand influence, and innovative strategy. It will continue to promote sustainable growth through diversified operations and social responsibility practices in the future.

3.2 SWOT Analysis

Strength. As a leading enterprise in China's hot pot industry, Haidilao's core advantages are reflected in many aspects, such as brand awareness, high-quality service, dish innovation, and employee treatment. These advantages form a close, logical loop that jointly promotes the Company's continuous growth and market competitiveness.

First, Haidilao has a large member base and a strong brand influence. By 2023, the number of its members has exceeded 150 million, a figure that reflects Haidilao's wide recognition among consumers and provides it with strong customer stickability and a continuous source of income [8]. The high visibility of the brand is not limited to the Chinese market, and its internationalization process has also brought it high attention worldwide. This brand advantage brings more market opportunities and cooperation resources, forming a virtuous cycle: members attract new customers through word-of-mouth communication, and joining new customers further expands the brand influence.

Second, Haidilao is known for its extreme service experience, one of its most significant advantages. The servers are warm and efficient, responding quickly to customer needs and providing personalized service. Through efficient supply chain management and standardized processes, Haidilao ensures the speed of food delivery and reduces customer waiting time. In addition, warm towels are provided to wipe hands before the meal, small snacks are given after the meal, and entertainment activities such as manicures, shoe shine, and chess and card games are also provided in the waiting area. These details reflect Haidilao's ultimate pursuit of customer experience. High-quality service improves customer satisfaction and attracts potential customers through word-of-mouth communication, forming a positive cycle between service and word-of-mouth. All these are based on the author's and surrounding consumers' experiences and feelings.

Regarding dishes, Haidilao has broken away from homogeneous competition through continuous innovation. The Company continues to introduce new flavors of pot base, such as the top ten of laopai, to meet the taste needs of different consumers. In selecting food materials, Haidilao pays attention to quality and diversity and has launched unique dishes such as handmade shrimp sliders and beef rolls, enhancing the differentiated competitiveness of products. This continuous innovation not only attracts new customers but also strengthens the loyalty of old customers, enabling Haidilao to maintain its leading position in the highly competitive hotpot industry.

Employee management is another core strength of Haidilao. According to Haidilao's 2023 annual report, the Company provides a clear promotion path for employees. It evaluates them from two dimensions, skills and morality, to ensure that employees have a basis for career development. Haidilao also offers its employees competitive compensation and benefits, including ample vacation time and various subsidies [8]. In 2023, 2,348 employees will enjoy parent-child subsidies, including parent-child housing subsidies, parent-child education subsidies, and parent-child care subsidies, with a total annual amount of 29.619 million yuan [8]. In addition, Haidilao is committed to creating a happy workplace. As of December 31, 2023, the total number of employees of the Company is 153,747, and there are no cases of child labor, forced labor, or discrimination [8]. This people-oriented management philosophy enhances employees' sense of

belonging and loyalty, reduces employee turnover, and improves service quality and operational efficiency.

In conclusion, Haidilao's advantages, such as brand awareness, high-quality service, dish innovation, and employee treatment, reinforce each other, forming its unique competitiveness and driving force for continuous growth in the hotpot industry. These advantages help Haidilao stand out in the market and lay a solid foundation for its future international expansion and sustainable development.

Weaknesses. Despite its leading position in the hotpot industry, Haidilao faces significant disadvantages that could challenge its long-term growth and profitability. First, although Haidilao's high-quality service and dishes enhance customer satisfaction and brand image, they also bring high operating costs. According to Fig. 2, although the proportion has decreased in the past three years, the decline level is relatively low, and Haidilao still has excellent room for progress in cost control [9, 10]. According to its 2023 annual report, Haidilao's operating costs amounted to 88% of total revenue, one of the highest levels in the restaurant industry, directly squeezing its profit margin to just 1.6% [8]. Without effective cost control, Haidilao's profitability will be further limited.

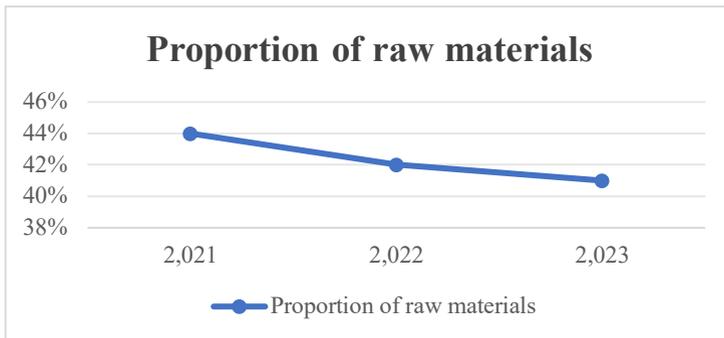


Fig. 2. Raw materials as a percentage of total revenue between 2021 and 2023

Second, Haidilao is overly dependent on the Chinese market, which has become saturated and complex to expand further. Although Haidilao has begun to internationalize its layout, its share in the overseas market is still low. Haidilao has only 115 stores overseas and accounts for just 10% of its revenue from overseas markets, according to its 2023 international performance report [8,11]. By contrast, its rivals are also accelerating their pace of internationalization, limiting Haidilao's growth potential. Haidilao's long-term growth will be challenged without a breakthrough in overseas markets.

In addition, although Haidilao's high popularity enhances brand influence, it also increases the difficulty of public relations and the cost of internal control. Consumers have high expectations for Haidilao, and problems with food safety or service quality may lead to severe public relations crises. Haidilao must strengthen internal controls and risk management to avoid such incidents, increasing operational costs. For example, investments in food safety management, staff training, and quality monitoring require significant resources. Haidilao's brand image and market share could be severely

affected if these risks are not effectively managed. For example, Haidilao recently attracted wide attention due to the "urine pot incident," in which some customers reported that urine was suspected of having been poured into the bottom of the pot while eating. Although Haidilao responded quickly and cooperated with the police investigation, stressing that it attaches great importance to food safety, the incident still caused a profound impact on its brand image and consumer trust. Public opinion quickly ferms on social media, and the public questions Haidilao's food hygiene. Haidilao faces enormous public opinion pressure and public relations challenges.

In summary, Haidilao’s disadvantages, such as high operating costs, over-reliance on the Chinese market, difficulty in public relations and internal control costs, and insufficient layout in first-tier cities, are interrelated, forming challenges to its long-term development. Haidilao needs to achieve sustainable development by optimizing cost structure, accelerating the internationalization process, strengthening risk management, and adjusting the market layout to cope with these disadvantages.

Opportunities. Haidilao has multiple opportunities in the future that will provide strong support for its continued growth and market share expansion. First, upgrading consumption has created a vast market space for Haidilao. Fig. 3 clearly shows that With the improvement of Chinese residents’ income level, consumers’ requirements for catering experience are constantly improving, and they pay more attention to service quality, environmental atmosphere, and brand value [12]. According to the National Bureau of Statistics (2024), Fig. 4 clearly shows that food accounts for the largest share of household consumption expenditure [13]. Therefore, the combination of the two will be of great benefit to China's future catering market. According to Figure 5, the F&B industry will increase by 56712 million. With its excellent service and quality products, Haidilao is well-positioned to meet this demand and further consolidate its position in the high-quality catering market. The Chinese catering industry has shown steady growth from 39.5 billion yuan in 2017 to 56.7 billion yuan in 2023, with a strong recovery post-2020 and continued expansion expected through 2025, reflecting resilience and growth potential [14].

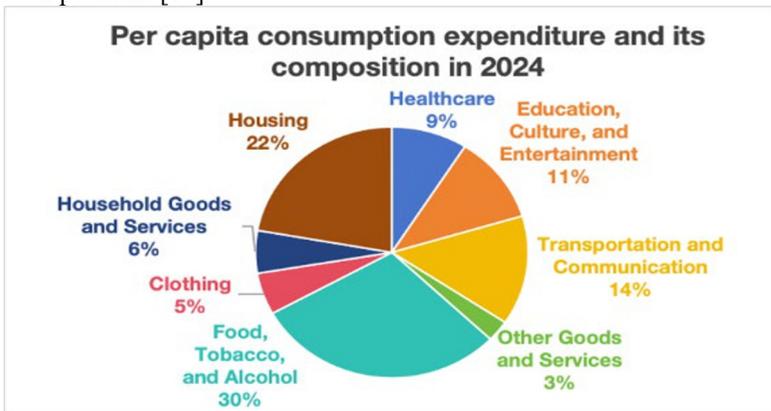


Fig. 3. China's per capita disposable income and growth rat

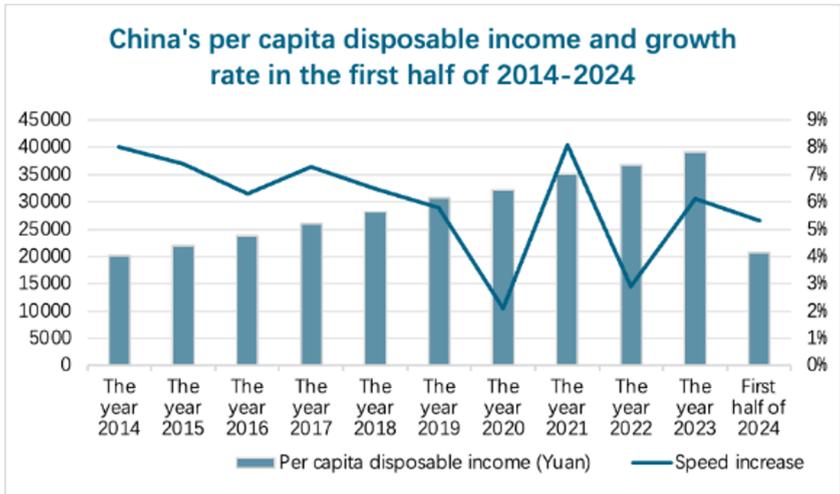


Fig. 4. Per capita consumption expenditure and its composition in 2024

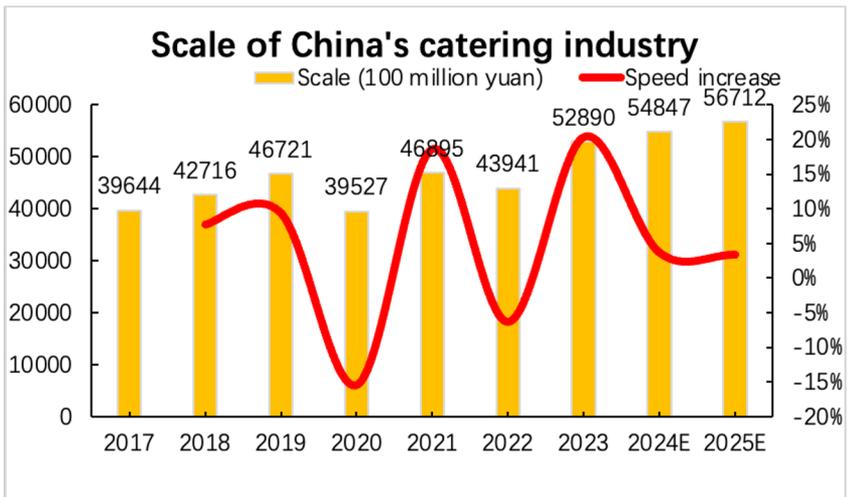


Fig. 5. Scale of China's catering industry

Secondly, the rapid growth of the food delivery market provides a new growth point for Haidilao. Affected by the epidemic, the demand for takeaway food market has increased significantly. According to Fig. 6, China's food delivery market will exceed 1 trillion yuan in 2022 and is expected to grow rapidly in the coming years [15]. Haidilao has actively laid out its food delivery business, and food delivery revenue accounted for 1.6% and 4.1% of total revenue in 2021 and 2022, respectively, increased by more than 200% during a year [9]. In addition, by the end of 2022, the number of stores providing takeout services has increased from 405 in 2022 to 1,400, covering more than 300 cities [9]. All of this shows its strong potential in the food delivery market.

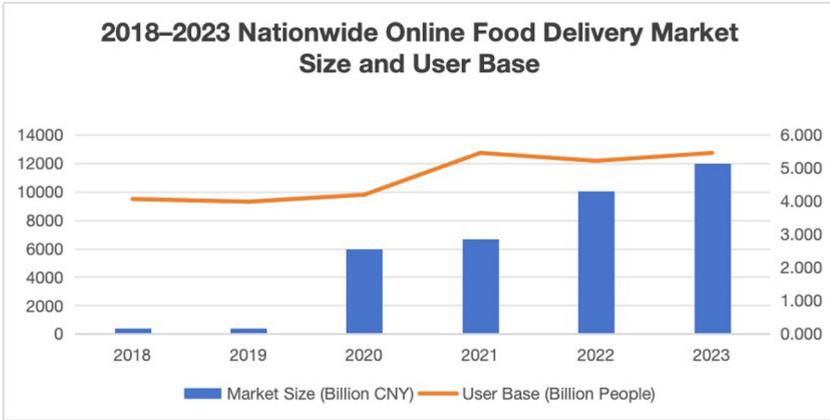


Fig. 6. Nationwide Online Food Delivery Market Size and User Base

Finally, the new retail and derivative business provides Haidilao with diversified income sources. Haidilao has expanded its revenue stream by selling hotpot-based ingredients, condiments, and self-heating hotpot through retail channels. In 2023, Haidilao’s retail business revenue accounted for 1.9% of the total revenue, up 30% yearly, showing its potential in the new retail sector [8] [9]. Through continuous innovation and expansion of business boundaries, Haidilao is better able to meet the diversified needs of consumers.

Challenges. Firstly, homogeneous competition and market saturation limit the further expansion of Haidilao. The hot pot market in China is highly competitive and becoming saturated, with emerging brands grabbing market share through differentiation strategies. Brands like Xiabuxiabu and Xiaolongkan, for example, are also expanding aggressively. Maintaining the differentiation advantage in the fierce market competition is the key problem that Haidilao needs to solve. According to Fig. 7, the market share of Haidilao is not stable in the fierce industry competition, and even has a downward trend [3].

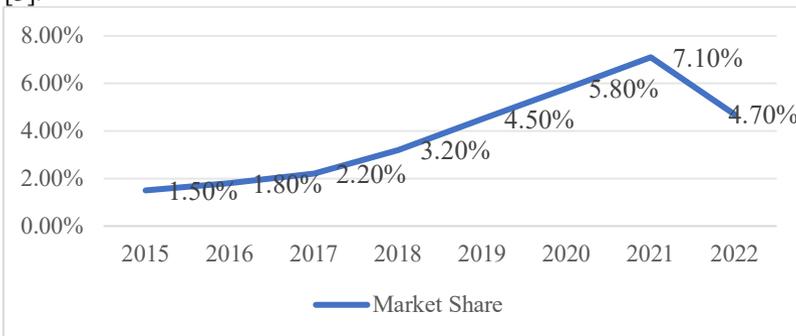


Fig. 7. Changes in Haidilao's Market Share in the Hotpot Industry, 2015-2022

Secondly, localization challenges in the internationalization process increase Haidilao's operational difficulty. In the overseas market, Haidilao needs to adapt to different countries and regions' cultural differences and consumption habits. For example, supply chain management, talent recruitment, and brand promotion in overseas markets require localization strategies, increasing operational complexity and costs. Currently, Haidilao earns just 10 percent of its revenue from overseas markets, which shows the challenges of internationalization [11]. Effective dealing with cultural differences and localized operations is the key to Haidilao's success in the international market.

3.3 Discussion

This case analysis comprehensively assesses Haidilao's strategy through the SWOT framework. The study found that Haidilao has taken a leading position in the hotpot industry because of its excellent service experience and strong brand influence. However, high operating costs and over-reliance on the Chinese market also challenge its long-term growth. According to its 2023 annual report, Haidilao's operating costs were 88 percent of total revenue, and its net profit margin was just 1.6 percent, showing the pressure on its cost control [8]. In addition, although Haidilao has begun to internationalize its layout, its overseas market revenue accounts for only 10%, showing the slow internationalization process [11]. Specifically, Haidilao can further enhance its market competitiveness and profitability by optimizing its cost structure, strengthening food safety management, enhancing differentiated competitiveness, and accelerating localized operations.

In the future, with consumption upgrading and the rapid growth of the takeout market, Haidilao can further expand its takeout business and retail business to meet the diversified needs of consumers. In addition, international expansion will provide Haidilao with a new growth engine. However, this case analysis is mainly based on publicly available financial data and industry reports, which may suffer from data lag or incomplete information. Future research can obtain more first-hand data through field research or interviews.

4 Conclusion

This paper summarizes the F&B industry's current condition and refines the hotpot industry. In the hotpot industry, this article focuses on Haidilao, which aims to help Haidilao break away from the homogenous competition in the hotpot industry and find a new competitive advantage. Using the SWOT analysis method, this paper analyzes Haidilao through four perspectives: Strengths, Weaknesses, Opportunities, and Threats. From the inside of Haidilao, the outcome shows that Haidilao has considerable advantages in the hotpot industry, such as high brand awareness and high-quality service. At the same time, heavy cost also bothers Haidilao. From outside of Haidilao, the increase in catering market capacity and takeaway demand year by year has brought many opportunities to Haidilao. Meanwhile, the fierce domestic hot pot market and the foreign market that makes it difficult to occupy market share quickly have also brought

many challenges to Haidilao. According to Fig. 3, the percentages represent the percentage decrease in the actual price compared to the forecasted price. When Idalia made landfall in Florida, the stock prices had a slight decline of around -0.02%, but after that, Humana's stock prices fell sharply, around -0.08%.

This research clearly shows the operation condition of Haidilao. On this basis, other researchers can further explore how Haidilao can retain their strengths and overcome their weaknesses. Moreover, it can help Haidilao seize the opportunity to escape the predicament and maintain its position as the top player in the hotpot industry. The findings could assist consumers and investors in understanding Haidilao.

However, there are some limitations to this paper. First, this paper does not include internal reports of Haidilao, so it is challenging to evaluate supply chain and customer relationship management in detail. Secondly, the paper solely analyzing Haidilao's strengths and weaknesses through its financial results may be biased. Thirdly, the results show the weaknesses and threats of Haidilao, but this paper does not mention solutions.

References

1. Zhang, Wang, & Wang. The Food and Beverage Industry 2025 Annual Strategy Report: Public Product. Ready to Go, Riding the Waves. Ping An Securities (2024).
2. SPDB International. Medium-Term Market Outlook 2022: Sunrise in the East and Rain in the West (2022).
3. SPDB International. Chinese Catering Industry: How to Consume in the Innermost Volume. Pick the Winner (2023).
4. Andrews, K.R. The Concept of Corporate Strategy. Irwin, Homewood, IL (1987).
5. Porter, M.E. Towards a dynamic theory of strategy. *Strategic Management Journal* 12, 95–117 (1991).
6. Mintzberg, H., Ahlstrand, B., & Lampel, J. *Strategy Safari: A Guide through the Wilds of Strategic Management*. Free Press, New York, NY (1998).
7. Coman, A., & Ronen, B. Focused SWOT: Diagnosing critical strengths and weaknesses. *International Journal of Production Research* 47(20), 5677–5689 (2009).
8. Haidilao International Holding Ltd. Haidilao Annual Report (2023).
9. Haidilao International Holding Ltd. Haidilao Annual Results Announcement (2022).
10. Haidilao International Holding Ltd. Haidilao Annual Results Announcement (2023).
11. Haidilao International Holding Ltd. Haidilao International Performance Report (2023).
12. National Bureau of Statistics. China's Per Capita Disposable Income and Growth Rate in the Past Decade (2024).
13. National Bureau of Statistics. Household Income and Consumption Expenditure in 2024 (2024).
14. Ping An Securities. 2025 Annual Strategy Report for the Food and Beverage Industry: Mass Market Segment: Gearing Up and Riding the Waves (2024).
15. Hongcan Industry Research Institute. 2024 Catering Consumption Survey. Hongcan Big Data (2024).

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

