Reflections on the Current Situation and Future of the Catering Industry under the Epidemic Situation in 2020

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Abstract

The COVID-19 epidemic has brought a huge impact on the development of the catering industry. The outbreak comes during the Chinese New Year holiday, a peak time for food and beverage consumption. Because of the epidemic, most of the Chinese catering industries suffered heavy losses, as well as the situation worldwide. As a result, the whole industry is facing the reshuffle. During the pandemic, over 90% restaurants chose to shut down, a number of restaurant chains have closed down, causing losses in various aspects, including renting costs, labour costs, storage costs and spendings on procurement of epidemic prevention materials. In order to overcome this difficulty, catering enterprises have tried to cut prices, provide packaging services, corporate with online platforms such as Eleme to save themselves. Combining with the actuality and characteristics of the catering industry, this paper studies the factors of COVID-19 epidemic influencing on the catering industry, how some quintessential brands in the industry act and then studies and proposes reasonable development countermeasures.

Keywords

COVID-19; Catering; Influencing Factors.

1. Background

The outbreak of COVID-19 in early 2020 has been spreading rapidly and widely which made preventing and controlling were difficult. It is one of the most serious infectious diseases in the past hundred years. It is the most serious public health crisis after the cold war. COVID-19 has triggered a series of chain economic and social problems, such as city closures, closure schools, outages and so on [1].

2. Economic Impact on Small Businesses

-Fall in the total revenue

According to the data from China Cuisine Association, the total revenue of the catering industry in 2019 was 4.6721 trillion yuan. But in 2020, resulted from the serious pandemic, the industry has lost a great amount of revenue especially during the Spring Festival. The loss of business income of most of the companies (78%) reached more than 100%. According to the strict
regulations enforced by the government, only 7% of catering companies were allowed to operate [3].

According to a survey, small businesses accounts for 71% of the Chinese market. The consequences showed that, because of the closure, the daily turnover was only 9% of the turnover in the same period last year. The average daily loss of all the businesses was about 0.3035 million yuan and the daily loss of 84.54% of the businesses was approximately 0.126 million yuan [5].

-I Increase in cash flows pressure

Although the market was closed, small businesses still required to pay for the fixed costs like the rent, labor costs, utilities and depreciation. 2019 China Catering Annual Report revealed that, raw materials, rent and labor costs account for 41%, 10% 22% of the catering industry revenue, respectively. However, because of the market closure, small businesses gained approximately no profit as under such circumstance it was difficult for cash to flow-back, as a result, some of them could not afford the fixed costs, which forced them to shut down [6].

Increase the opportunities for delivery orders

The pandemic caused the closure of dine-in restaurant services. However, some small businesses turned to the online markets and launched delivery services. 21% of the businesses found out that there was no influence on delivery orders and another 15% saw a rise in their delivery orders. Overall, consumers showed an increase in their inclinations to online orders. Also, some businesses (69%) said that the commissions for takeaway platforms did not change while others saw fluctuations in the price [4].

Under the impact of the epidemic, the catering industry would be particularly difficult in 2020. According to the data of the annual report of China’s catering industry 2020, the average opening rate during the Spring Festival in 2020 is only 34.99%, a year-on-year decrease of 46.72%, a decrease of nearly 90% in passenger flow, and a loss of more than 100 billion yuan in catering revenue [2]. Under the epidemic situation, the whole catering industry is facing unprecedented challenges.

How to deal with the catering industry so as to minimize losses, to survive and develop? Combined with the characteristics of the catering industry, this paper studies the influencing factors of the COVID-19 epidemic situation on catering industry, and propose the development countermeasures.

3. Method

The main research method is checking online to find related and typical representative enterprise in the catering industry to find out their behavior and action when facing the extreme situation. Here we offered some impacts on the general catering companies and will carry out further analysis for individual cases.

3.1. Impact on Revenue

The catering industry is usually affected by the seasonal and external environment. The first quarter of the year is often the highest quarterly revenue. Due to the impact of COVID-19, the first quarter revenue was decreased by more than 3/4 compared with the same period last year. Due to the closed management of schools, the small and micro catering enterprises located near the school were in a state of not making ends meet before the third quarter. The sharp drop in operating income has seriously affected the cash flow of the enterprise, which makes it difficult for the enterprise to maintain its operation.
3.2. Impact on Business Mode
The COVID-19 epidemic is highly infectious, which had forced the suspending of dine in business. Most restaurants had to shut down in the first quarter of 2020. Some restaurants only can operating take out business. [3] After the epidemic, countless new formats and new trends have emerged, and digital catering has stepped on the accelerator. Through the access to the catering ecological platform, the use of store operation, kitchen management and other systems that can help enterprises achieve more accurate marketing, higher quality products, more efficient service and more convenient management.

3.3. Impact on Cost
After the orderly resumption of work across the country, the prices of raw materials also rose compared with those before the COVID-19 epidemic which resulting in the rise of business costs. At the same time, enterprises also need to purchase epidemic prevention materials and bear a certain cost of epidemic prevention.

Human cost is the main cost of many enterprise. Especially in catering industry. Under the epidemic situation, it is not only difficult for the catering industry to recruit any employees, but also the problem of high staff turnover rate is more prominent. Catering enterprises was facing loss of profit and sharp drop of wage level. A large number of employees with catering work experience have lost that seriously affects the operation and management of catering enterprises. The loss of professional staff, such as chefs and caterers, reduces the quality and characteristics of dishes. The loss of waiters affects the service quality and customer satisfaction.

As a representative in hot pot industry, in Haidilao's financial statements for 2019 and 2020, the company reported heavy annual net profit losses, but because it kept expand new branches by opening more stores, facing more consumers, consumer spending per head increased which helped it to raise its gross profit so that Haidilao did not fail like most of other catering businesses. For this reason, the author concluded that there are mainly two reasons. Firstly there is the strong brand image and the unique selling point. When people talk about hot pot, they think of Haidilao for its service. This helps it have a high status in the industry. Secondly, a stable base. Under the influence of the epidemic, most of the closure of the self-employed or non-chain stores. As long as the store doesn't lose customers, it can survive.

In the epidemic situation, many catering companies choose to cooperate with the delivery platform, which not only saves customers, but also creates more job vacancies, delivery men for instance, and the number of food delivery workers in Japan has risen to more than 40,000 due to the outbreak, guaranteed part of the people's economic income.

4. Conclusion
To sum up all information that are mentioned above, the author concluded that businesses fail mainly because they failed to save their consumers during the pandemic, operated in too small scale and failed to identify potential possibility of cross boarder corporation.

For enterprises, Internet technology and intelligent equipment reduce the number of manual services, and bring about the improvement of work efficiency. At the same time, enterprises should keep close to the actual demand, integrate online and offline demand, enrich takeaway dishes and packaging, constantly launch new dishes, refine takeaway market, develop green takeaway, semi-finished takeaway, nutrition catering takeaway, etc., so as to meet the needs of diners, expand their own development space and increase profits [4].

Digital transformation, now widely used by different enterprises, is not simply a technique, it fundamentally changes a business. These non-direct form of trade allows the normal operation
of the business and helpful in maintaining consumer relations. This is going to be a long-term strategy especially in catering industries.

It is expected that in the near future that innovation and thinking is necessary for a catering company, extending products’ production life cycle would say that intellectual capital is indispensable.

References


