

# SWOT Analysis of Haidilao in Macau

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## ABSTRACT

As we all know since 2020, Macau and even Chinese restaurant industry development are in a bottleneck. But in Taipa Londoner, there is such a chain restaurant that not only does not have a serious decline in performance as the general trend, but even opened a second restaurant in Venetian Macau, it is Haidilao Hot Pot. Therefore, our group has chosen this restaurant chain as the object of our study, through the introduction of the company's background, analysis of the business model that motivates the company's owner and the competition, as well as swot analysis to introduce the reasons for the success of Haidilao in Macau, and give some suggestions for the analysis. At the same time, during the introduction we will mention the hot pot brand CouCou, the chain brand McDonald's to make a comparison.

## KEYWORDS

SWOT Analysis; Haidilao; Restaurant Industry.

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## 1. COMPANY'S BACKGROUND

The division of labor and directory is as follows.

First of all, we focus on the chain brand of Haidilao. Established in 1994, Haidilao is a chain brand mainly dealing with hot pot, which has grown from the initial ordinary hot pot to a nationally famous restaurant brand, and now has stores in overseas regions, such as South Korea, Singapore and London. The first Haidilao hotpot in Macau officially opened on October 9, 2019. Between 2020-2022, the initial opening period, although experiencing the impact of the Covid-19, the turnover is still in a state of growth, so the second Haidilao in Macau officially opened on January 8, 2022 at The Venetian.

The success of Haidilao cannot be separated from the organizational culture of the company, whose unique points are reflected in the following three aspects.

### 1.1. Create a "Home" Culture

Haidilao Chairman Zhang Yong proposed the concept of "treating employees as family", and Haidilao Macau insisted on implementing this concept, thus developing lots of loyal employees, who have become the core competitive cornerstone of steady development. Haidilao has set up a piece-rate salary system: the salary is closely related to each person's workload, such as the number of guests served, the number of dishes cleaned, and the number of dishes delivered. Each part of the customer's journey from entering the restaurant to leaving can be clearly broken down and become a measurement indicator. This greatly enhances the motivation of employees and works to eliminate their insecurities and help them integrate into the group as soon as possible.

According to Maslow's theory of needs, people will pursue higher needs after satisfying their lower-level physiological needs. Therefore, the correct goal setting and corporate culture construction make Seabed go further and further.

## **1.2. “Learning Development Center” Culture**

Haidilao Learning Development Center was established in 2010, mainly dedicated to promoting the development of corporate strategy, inheriting corporate culture and system, precipitating the best business practices and training the most practical reserve cadres. Adhering to the concept of "hands to change fate, wisdom to achieve dreams" (represented by a diagram).

For different positions in stores to open different special training courses, involving different categories of courses, including culture, system, business skills, knowledge and literacy, sandbox development activities, and through the extension of the online and offline training platform, to achieve employees flexible learning anytime, anywhere, to promote the sustainable development of enterprises.

## **1.3. Service First Customer First**

Anyone who has been to Haidilao will praise its uncompromising service. When waiting for a meal, you can enjoy various free services, and when dining, the staff can promptly deliver the items you need, such as sleeve aprons, which is very thoughtful and does not make people feel constrained.

In addition, Haidilao has a wide variety of dishes, and those that are not eaten and not moved can be returned, not only not to waste food, but also to take care of the needs of customers. After the meal, Haidilao will also send customers delicious snacks.

## **2. BUSINESS MODEL**

There are all kinds of transaction relationships and links between enterprises, between departments, even with customers and between channels, which are the means and methods to describe how an organization creates, transmits and obtains value. Here, I will introduce the objectives and strategic positioning, management model and system characteristics of Macau's Haidilao.

## **3. GOALS AND STRATEGIC POSITIONING**

Since the establishment of Haidilao in 1994, its brand goal is to become a world-class chain restaurant brand. At the beginning of its establishment, Macau Haidilao needed to start from scratch, so they set up a clear strategic positioning. The strategic positioning of Macau Haidilao can be divided into three aspects: First, the fundamental purpose of “realizing a certain market share in Macau”. Second, value proposition: to provide customers with quality service. Third, measurement indicators: employee satisfaction and customer satisfaction.

## **4. MANAGEMENT MODE: Haidilao USES A FLAT MANAGEMENT MODE**

Since the middle of 2016, Haidilao has divided its internal organization into four parts: headquarters, coach, group, and store manager. Store managers have full autonomy in daily operations, such as employment, promotion, discounts, personalized services, etc., to motivate employees to provide services that make customers feel warm and receive sincere attention to ensure the unique requirements of each customer.

## 4.1. System Characteristics

The institutional characteristics of Haidilao are reflected in two aspects.

The first is a clear promotion route and training system: in Haidilao, every employee can see their future and promotion path, which makes efforts have more goals and motivation. Under the training of the master, an ordinary employee can be selected into the talent pool and become a lobby manager by holding more than 10 positions and passing the examination. If you want to be promoted, you can go through at least 15 days of training and pass the examination, and then you can continue to be promoted to become a store manager.

The other is: the “Mentorship system + compensation plan”. Haidilao shows the mentoring system as the salary of the store manager and the profits of the apprentice stores. Therefore, the store manager not only has full motivation to manage their own stores, but also tries his best to cultivate the apprentice store managers with qualified ability and conduct. And lead them to develop new stores. Macau's two Haidilao is the embodiment of this system.

Haidilao's business model has created great profits for it, making it in the hot pot brand and chain restaurant Is ranked in the leading position, which has inspired many store owner owners to join Haidilao. According to the manager of Macau Haidilao, the reason he first joined the store was Haidilao in chain restaurant Has a relatively high and stable revenue; the reason for opening a second store in Macau is that Macau Haidilao achieved 28,614,255 turnover, 309,546 after-tax profit during 2020 and in the first half of 2021,20,094,369 turnover and 96,508 profit; owner was encouraged to open a second store in Macau.

## 5. COMPETITION

As a chain restaurant brand, Haidilao cannot avoid competition in the catering market, and Haidilao restaurants in Macau also face great competition, which can be divided into internal and external.

Internal: Two Haidilao stores inside there are competition, Haidilao also introduced a lot of incentive mechanism, such as the competition between employees, was named advanced employees and pacesetter employees can get a lot of bonuses and bonus, and the best branch will also have bonus, and each area regional manager will according to the performance of the management area bonus. The competition between internal enterprises is also conducive to making enterprises more vibrant and more competitive.

External: Macau is the capital of food, in the streets and hotels of the food festival every year. according to the data of the Macau Census Bureau, there are currently 2512 restaurants in Macau, indicating the density of the catering market, fierce competition. In addition, Haidilao also needs to compete in the field of chain restaurant. chain restaurant competition is mainly in the following nine aspects: restaurant quality, environmental health, cost performance, service level, social development reputation, total number of stores, operation standards, characteristic services and hardware facilities. It is very difficult to meet these standards at the same time, so Macau Haidilao is facing great competition.

Everything has two sides, and competition is no exception From Haidilao’s perspective s, these competitions bring the opportunities and threats.

## **6. SWOT -- STRENGTH**

### **6.1. Organizational Relationship under the Culture System**

As already described in the company background and business model, Haidilao is committed to creating a strong organizational culture and has set up a number of systems with distinctive features. The two are also interacting with each other. We can see that each system is influenced by the culture and ultimately reinforces it. Haidilao's flat management, piece-rate system, mentorship + remuneration scheme and other systems have had a positive impact on employees. There are three main types of positive impact. Firstly, it mobilizes motivation and initiative. Secondly, it gives employees a sense of purpose and motivation. Thirdly, it gives each employee a sense of involvement and responsibility. According to Kurt Lewin, a renowned social psychologist, people change when they learn, including changes in cognitive structure, changes in motivation, and changes in their attributes as a group. In the case of Haidilao, all three types of changes occur in the employees. If the corporate culture does not allow these three changes to occur in employees, or if only 1 or 2 of them occur, then it may not be effective. And it also strengthens the relationship between the shops and the head office and the shops of the Haidilao company.

### **6.2. Passionate Attitude Towards Customers**

Customers have always been the main target and ultimate service object of the restaurant industry, so during its development, Haidilao has always insisted on implementing the service principle of "customers are God". This has created a loyal clientele for Haidilao. Haidilao's service has been highly praised by customers and even widely praised in the industry. For example, nail services and hand massages are offered to customers while waiting for a place in the dining queue. Each customer is provided with an apron to ensure that their clothes are not stained by grease during the meal. Female customers are provided with "leather straps", "combs" and "mirrors" to keep their appearance in order. For birthday customers, Haidilao will give them gifts such as fruit platters, small cakes and toys, and sing birthday songs to them.

### **6.3. Corporate Social Responsibility**

CSR (Corporate social responsibility) is often a key element in the longevity of a company. In the course of its development, Macau Haidilao actively undertakes corporate social responsibility. Here is an incident I would like to share with you: at the end of September 2021, Macau experienced a sudden epidemic. The government adjusted the nucleic acid test at the border crossing from 7 days to 24 hours at 4pm, resulting in many cross-border staff and local Macau university students living in Hengqin being unable to go home and forced to stay in Macau to wait for the nucleic acid test results. Many students from the Macau University of Science and Technology (MUST) had nowhere else to go, so the Londoners Haidilao Macau offered a 50% discount to MUST students on the day and all stranded students could go to Haidilao for a free break. Haidilao provided the students with hot towels, hot water, blankets, snacks, fruit, chargers and other equipment for free, and removed the closing time of 6-8am every morning. These actions allowed many students at MUST to get a good rest without having to pay a high price to stay in a hotel, fully demonstrating that Haidilao is a company that actively takes social responsibility.

### **6.4. Harm of Gambling**

Macau's various shopping malls have large and small casinos. Children can easily come into contact with a series of gray industries in gambling, Children are curious. When they see gambling, they will try and form a memory, which is not conducive to future physical and mental development. Once the habit of gambling is contaminated, it is not only the bankruptcy of money, but also It is spiritual

torture. Therefore, parents are afraid that their children will contaminate gambling. This is why many parents are unwilling to bring their children to Macau parent-child family travel.

## **7. SWOT -- WEAKNESS**

There is strength and there is weakness, and there are some weaknesses that cannot be ignored in the development process of Haidilao, mainly in two areas: low cost performance and lack of innovation and uniqueness, which hinder long-term development.

According to information, between 2016 and 2021, Haidilao has increased prices eight times, and per capita consumption has risen from HK\$108 to HK\$154. And the quantity of dishes at Haidilao is very small, as shown in the picture, a portion of lamb has only 8 slices, and it costs HK\$58. The main restaurant is a fast food restaurant like McDonald's, which is not only convenient but also affordable, and there is no shortage of food products in Macau, so the low cost performance has hindered the development of Haidilao in Macau.

The uniqueness of Haidilao has always been reflected in the "warm service", but nowadays there are many restaurants with similar service to Haidilao, which has led to the uniqueness of Haidilao gradually becoming popular. Moreover, the taste and choice of dishes at Haidilao has always been a traditional hot pot, and no innovative dishes or seasonings have been developed. Therefore, the lack of innovation and uniqueness will become the weakness of Haidilao.

## **8. SWOT -- OPPORTUNITY**

Opportunity generally refers to favorable external conditions. In the case of Haidilao in Macau, there are three main points:

### **8.1. Market Demand**

In the 2022 world per capita GDP ranking, Macau is in the 29th leading position, so the consumption level of Macau people is at a high level. The Macau government will also regularly issue consumption vouchers and other benefits to the public to encourage consumption. In addition, with the rapid economic development in recent years, people are pursuing a higher quality of food, people are no longer just pursuing "enough to eat" but are gradually looking at "good food". Most of the chain restaurants have a guarantee for the quality of food. This has created more customers for the chain restaurants. As people work at a faster pace, work patterns such as "996", that means going to work at 9 a.m. and leaving at 9 p.m., six days a week, objectively limit people's family labor, which provide more possibilities for food and beverage industry.

### **8.2. Advances in Technology**

We have now entered the Internet era and information technology offers more opportunities for food and beverage industry. The use of the new O2O model (O2O means Online To Offline, i.e., combining offline business opportunities with the Internet, making the Internet the front desk for offline transactions) and the rise of takeaways have broken down the geographical limitations of traditional food and beverage industry, making food and beverage industry quickly adapt to technological innovations. For chain restaurants in particular, they can make better use of the internet and big data to observe their costs. And the rapid development of technology has significantly reduced the price of electronic menus and unmanned service equipment. As a chain restaurant, Haidilao has sufficient funds to effectively adopt more powerful and new equipment. At the same time, online platforms are rising. Promotion channels such as TikTok are increasing. According to surveys, the

number of internet users is also increasing dramatically, with 1.067 billion internet users in China, which is beneficial for the service industry to expand its audience through social media platforms.

### **8.3. Policy Environment**

The food and beverage industry has always been a relatively important industry in the Macau economy and Macau government attaches great importance to the development of the food and beverage industry. Due to the impact of the epidemic on the food and beverage industry, the Macau government has introduced a series of policies to support the recovery and development of the food and beverage industry, constantly regulating and improving the policy environment, and the threshold of the food and beverage industry is constantly lowered. However, many private restaurants in Macau have closed down during the epidemic, while high-end restaurants have survived by virtue of their strong economic strength, resulting in an uneven development environment, which has led to Macau focusing on the development of chain restaurants, which has reduced the resistance to the development of Haidilao and also provided the foundation and guarantee for its development.

## **9. SWOT -- THREAT**

As there are external opportunities, there must also be external threats. There are three main threats to Haidilao's development process.

### **9.1. Environmental Awareness and Sustainable Development**

One of the great problems facing mankind at present is the relationship with the natural environment. The World Commission on Environment and Development has also repeatedly called for the issue of environmental protection. China has introduced a series of policies to protect the environment, among which is the requirement for restaurants to restrict the use of disposable products such as disposable tableware, plastic packing boxes and plastic packing bags, and the Macau government has implemented this philosophy. As a chain restaurant, Haidilao is using more plastic packing boxes and disposable containers for its customers in its shops worldwide, which will certainly hinder its development in the long run.

### **9.2. Customs and Transport Technology**

Macau is a special administrative region of China and has quite strict policies on the import and export of food and other goods. As a chain restaurant, Haidilao' all food is supplied in a uniform manner, which leads to the possibility of being detained at customs on the way to supply food and thus affecting its normal operation. Moreover, China's cold chain logistics is not well developed and it is difficult to support the preservation of food, while hot pot has high requirements for food freshness and cold chain transportation, which has to a certain extent inhibited the development of the hot pot industry such as Haidilao.

### **9.3. Consumer**

The barriers to entry for hot pot are low, because the products are not very differentiated and are highly replicable, while the capital required is also relatively low. There is a range of hot pot products in Macau such as "Sichuan hot pot" and "Thai hot pot". Besides, more than 50% of Macau's population is Cantonese. Cantonese people prefer ChaoShan beef hot pot than chain hot pot restaurants like Haidilao, which has no prominent product. This has led to a decrease in the number of consumers for Haidilao in Macau. And as the standard of living of the Chinese people continues to improve, the structure of the population's diet has changed, inevitably leading to an increased demand for high quality products, which includes an increased demand for green food. With Macau's

ageing population increasing, the demand for green food is even higher. For the current catering industry, going green is an irreversible industry trend. As a hot pot company, Haidilao's products are mostly high-calorie foods, which will be easily resisted by the public in the future.

## **10. CONCLUSION AND SUGGESTIONS**

In order to make Haidilao hotpot have long-term development and expand its industrial chain in Macau, There are some suggestions.

Maintain sustainable development. At present, there are some un-environmental friendly phenomena in Haidilao, such as the large use of plastic packaging boxes and packaging bags, and the large use of paper garbage boxes and disposable paper cups. These will hinder the long-term development of Haidilao. To solve these problems, Haidilao can learn from WeiJi Milk's environmental marketing plan, which rewards customers who actively recycle empty milk bottles. Haidilao can provide recyclable glass boxes, and propose a reward system - that is, for customers who refuse to use disposable products when packing, reward them with free food exchange coupon. For irreplaceable paper products, Haidilao should look for more environmentally friendly and renewable resources.

Strengthen the development of related industries. Haidilao has carried out the forward and backward industries. It has an independent food ingredients factory and provide ingredients for many restaurants. In supermarkets, consumers can easily buy hotpot condiment and self-heating food made from Haidilao. Based on these existing related industries, Haidilao can continue to expand its business market, so that create a capital chain for its own development.

Continue to strengthen the construction of organizational culture. Wonderful organizational culture can make employees have a strong commitment to the organization, improve their sense of the organizational culture, and make them become loyal employees. In addition, employees will be provided with observing learning opportunities, they can learn more skills and improve themselves.

Pay attention to feedback. Feedback is an important way to evaluate a company's business model. It's divided into customer feedback and employee feedback. Customer feedback can be phone calls, text messages, questionnaires and other feedback to inquire about product tastes and service suggestions. Employee feedback mainly asks whether the company's existing system is appropriate. In this way, it is easy to find shortcomings in the operation process operation. It should be noted that some customers' feedback may be subjected to some "implicit threats". For example, when giving out questionnaires to customers, some employees will lead customers to give high evaluations.

Build intelligent services. At present, the awareness rate and utilization rate of Haidilao APP are very low. Many customers don't use this APP, but it has existed for many years and have spent a lot of money. Moreover, the use of "electronic menu" doesn't make customers to experience "real intelligence". Many customers think, Haidilao's electronic menu often inconvenient, which leads to their decreased patience when ordering food. Therefore, Haidilao should put money in improve the intelligent service, rather than development of the APP.

Hold the corporate social responsibility activity. The reputation of a restaurant is not only the evaluation of the customers for the dishes and services, but also the evaluation of the citizens in the area where the restaurant is located. It's the reflection of the social responsibility of the restaurant. Generally, restaurants with high social responsibility tend to receive high reputation. It can be seen that the corporate social responsibility is extremely important for a restaurant. Haidilao can provide free water to clean workers. Although it's simple, it will help Haidilao gain the long-term development.

Evaluate the analysis regularly. Because SWOT is constantly changing with the internal and external environment, Haidilao should not only formulate long-term goals, but also constantly evaluate and change the mode according to the actual situation. Haidilao should also pay attention to sharing

information with the same type of food and beverage enterprises, include chain restaurant and hotpot restaurant, observe and analyze potential problems. So as to avoid risk to create their own competitive advantage. 7Ps marketing theory, PEST analysis model, Porter's five forces model and STP theory can also be used in the analysis and evaluation process, so as to achieve better development.

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