

# ***Differentiated Competitive Strategies in the Sichuan Hot Pot Industry: A Case Study of Haidilao***

**Siyi Shen**

*Golden Apple Jincheng Number Secondary School, Chengdu, China  
siyi0205666@163.com*

**Abstract:** Sichuan hot pot, central to the local cuisine and a symbol of its culture, is beloved by residents and tourists alike, becoming a pillar of the catering industry that fuels economic growth and cultural dissemination. However, intense market competition mandates the development of unique strategies for businesses. Haidilao, a paragon of success, has cultivated a sophisticated strategy and enjoys a stellar reputation in the market. This paper uses Haidilao as a case study to explore how differentiated competitive strategies contribute to its business revenue, focusing on company profile and current developmental strategies. By using SWOT analysis and 4P Theory model, this study analyzes Haidilao's competitive strategies compared to other companies in hot pot market. Finally, through these analysis, this paper recommends promoting product innovation, enhancing diversification, and reinforcing corporate culture and talent development. By analysing Haidilao through SWOT and 4P theory, we hypothesize that differentiated competitive strategies are beneficial for Haidilao's sales.

**Keywords:** Catering enterprises, Differentiated competitive strategies, Haidilao, Monopolistic competition, SWOT analysis

## **1. Introduction**

With rapid economic and social development, the catering industry has become an indispensable part of people's lives. Among its various sectors, the Sichuan hotpot segment has established a prominent position over the past three decades. Hotpot has gained popularity because of its special flavor, rich ingredients and warm dining atmosphere. According to data from the China Chain Store & Franchise Association (CCFA), hot pot in the restaurant market share of 13.70%, higher than the second Sichuan cuisine (12.40%). In recent years, the hot pot industry has entered the stage of white-hot competition, the homogenization degree between hot pot catering businesses is high. As a result, a certain subdivision category or break through innovation in management have become the key condition for hotpot catering businesses to emerge in the circle.

This study takes Haidilao company as a case to find out the differentiated competitive strategies it uses to attract consumers and increase its sales in monopolistic competitive market where the provider of the product or service has an absolute monopoly to some extent, but it is subject to competition from incomplete substitutes [1]. Founded in Jianyang, Sichuan Province in 1994, Haidilao brand is unique in the catering industry with high quality products and excellent service [2]. This study firstly focuses on current company profile and strategies of Haidilao, then analyze Haidilao's competitive strategies which can be defined as a scenario where products are sufficiently similar to form a

reference set, yet distinct enough to avoid being identical through SWOT model and 4P theory model [3-4]. Moreover, through overall analysis, this paper includes recommendation for Haidilao to improve in the future. This study addresses that gap by analyzing differentiated competitive strategies to promote the development of Haidilao. It is hypothesized that these strategies such as emotional marketing which involved five core elements: emotional appeal, emotional connection, emotional design, emotional packaging, and emotional advertising [5] have played a critical role in attracting consumers' attention, expanding the company's market influence, and ultimately driving sales growth.

## 2. Analysis of Haidilao's revenue performance and existing marketing strategies

### 2.1. Company profile of Haidilao

Founded in 1994, Haidilao is a renowned chain brand specializing in Sichuan hot pot, with Zhang Yong as its founder. The first Haidilao Hot Pot restaurant opened its doors on March 25, 1994, in Jianyang City, Sichuan Province. On May 17, 2018, Haidilao filed for an initial public offering (IPO) on the Hong Kong Stock Exchange. With the popularities in numerous cities, Haidilao places great emphasis not only on the quality of its hot pot but also on its emotional service and care. Centered on "innovation," the company has revolutionized traditional service models by advocating personalized service and is dedicated to providing customers with an "intimate, warm, and comfortable" dining experience.

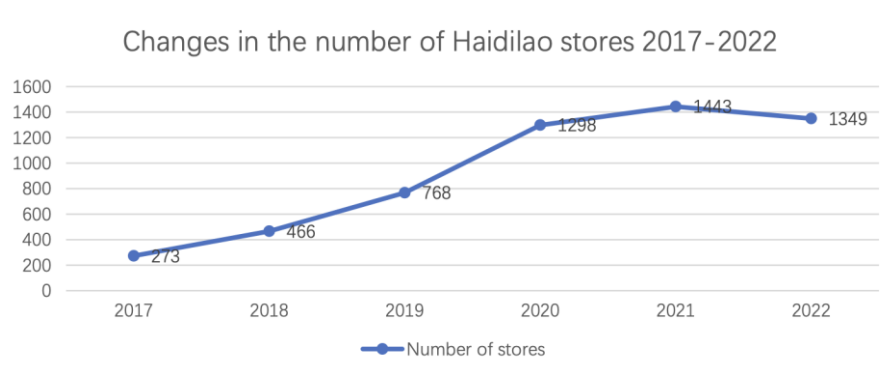


Figure 1: Changes in the number of Haidilao stores 2017-2022

With the maturity of the brand establishment, the number of Haidilao stores has also been growing in recent years. According to the data in Figure 1, from 2017 to 2022, the number of Haidilao offline stores has steadily increased from 273 to 1,349. This more than five-fold increase reflects the brand development of Haidilao and highlights the effectiveness of their brand strategy.

### 2.2. Current differentiated competitive strategies of Haidilao

#### 2.2.1. Excellent service experience

Haidilao is known for providing an excellent service experience, which is one of its core strategies for differentiated marketing. Haidilao pays attention to providing personalized services for every customer. Examples include free manicures for women, child-friendly cutlery and baby-friendly food for families with children, and snacks and drinks for waiting customers. These services not only improve customer satisfaction and loyalty, but also inject indispensable strength into the brand development of Haidilao.

While serving customers, Haidilao also provides them with high emotional value. For example, Haidilao sends cakes and fruits to customers on their birthday, provides special celebration methods,

enhances customers' emotional experience, which undoubtedly lets customers feel the temperature of the brand, and attracts more people to come to experience.

### **2.2.2. Innovative product strategy**

Haidilao continues to introduce innovative products to meet the needs of different customers and maintain market competitiveness. Haidilao provides customers with a variety of pot bottom choices, and can introduce innovative pot bottoms according to seasonal ingredients in different seasons. For example, in winter, sour soup pot and mushroom soup pot will be launched to meet the needs of customers. At the same time, through the unique production process and taste, and other hot pot restaurant brands to form differentiation. Haidilao uses differentiated ingredients to increase sales.

### **2.2.3. Unique brand culture**

Haidilao emphasizes "home culture", creating a home-like atmosphere through warm store decoration, cordial and sentimental service and employee interaction. In addition, the training of employees is also very important for a brand. Only with good staff literacy can we attract more customers. Therefore, Haidilao provides employees with a good working environment and career development opportunities, which greatly enhances the sense of belonging and loyalty of employees. Thus, it can protect the differentiated competitive strategies of the brand itself.

### **2.2.4. Efficient operation management**

By establishing a complete set of standardized service models and management processes and ensuring that each store can provide consistent service quality, Haidilao can retain customers well. For the aforementioned ingredients, Haidilao has established a stable supply chain system to ensure the freshness and quality of ingredients and reduce costs through centralized procurement. With the development of modern technology, Haidilao has also adopted the method of digital management. that they use digital technology for customer relationship management (CRM), and analyze customer needs through big data to achieve differentiated and personalized services. All of Haidilao's differentiation strategies are interlinked.

### **2.2.5. Strong brand promotion**

Nowadays, young people have increased their dependence on social media, and Haidilao has also followed the trend and carried out brand promotion through various channels to enhance brand awareness and influence. Through various social media platforms, such as Tiktok and Wechat, Haidilao share its customer experience, new product launches and promotional activities, enhancing brand interaction. Through the quality of service attitude and products, Haidilao encourages customers to spread word of mouth, which can enhance the reputation of the leather brand.

## **3. Analysis of the competitive strategies and environment of Haidilao**

### **3.1. SWOT analysis**

#### **3.1.1. Strengths**

Haidilao has successfully established a strong brand advantage through excellent service experience, innovative product strategy, unique brand culture, efficient operation management, strong brand promotion, international market layout and continuous innovation ability. These advantages not only enhance customer satisfaction and loyalty, but also help Haidilao stand out in the fierce market

competition and become a globally well-known hot pot brand. Haidilao's success is attributed to its consistent focus on quality and service, its in-depth understanding of consumer needs, and its ability to respond effectively to market dynamics. Moving forward, Haidilao will continue to bring more surprises to customers with its unique charm and innovative spirit, and set a new benchmark for the global catering market.

### 3.1.2. Weakness

Due to its commitment to high-quality standards, Haidilao faces relatively high operational costs. In order to provide perfect and comprehensive service to customers, the company needs to spend money on staff training and product quality assurance, which increases the pressure of Haidilao operation. Furthermore, the brand image of Haidilao is highly dependent on the quality of service, and once there is a problem, it may have a greater impact on the image of the entire brand. Operating within a monopolistic competitive market, Haidilao must also contend with intense product differentiation and rivalry, necessitating continuous resource investment to sustain its competitive advantages.

### 3.1.3. Opportunities

As consumers pursue higher and higher quality and experience, Haidilao, as a brand with high quality, high service and high standard, can well meet the needs of customers. Haidilao can enhance awareness and customer stickiness through social media promotion, offline activities, advertising and other measures. Additionally, Haidilao should seize the opportunity of rapid development of science and technology and complete digital transformation by using more digital operation models. By adopting digital operational models—such as intelligent ordering systems and robotic food delivery—Haidilao can improve both operational efficiency and the overall customer experience.

### 3.1.4. Threats

Despite its maturity as a leading hotpot brand, Haidilao faces several external threats. With the development of China's food industry, competition in the hot pot market has intensified. The number of new entrants will continue to dilute market share. Moreover, external shocks such as the pandemic have significantly reduced consumer willingness to dine out, adversely impacting business performance. This will inevitably affect Haidilao's business. It is worth mentioning that in recent years, more and more young people pursue a healthy diet, with less oil and less salt eating habits. This shift in dietary habits may negatively influence demand for traditional hotpot cuisine, potentially affecting Haidilao's revenue and necessitating strategic product adjustments.

## 3.2. 4P Theory model

4P Theory can be defined as an analysis method that divides the four elements of PRICE, PRODUCT, PROMOTION and PLACE. Based on the 4P theory, this paper analyzes the operation strategy of Haidilao hot pot, in order to further understand the connotation, ways and difficulties of Haidilao hot pot operation under the background of rapid changes in the industry, and improve the understanding of Haidilao hot pot and its survival ability [6].

### 3.2.1. Product

In contemporary society, products are not only the material carrier to meet the single needs of consumers, but also a comprehensive solution to solve all needs in the process of consumption. Through diversified and differentiated product strategies, as well as meticulous services, Haidilao Hotpot has successfully met the individual needs of consumers and provided a comprehensive

experience beyond traditional dining. On the basis of inheriting Sichuan-Chongqing spicy culture, Haidilao constantly innovates and improves dishes to meet the needs of consumers in different regions and cultural backgrounds. At present, Haidilao provides a variety of flavor styles of pot bottom and dip, to meet the personalized needs of consumers. In addition, Haidilao combines Internet big data and consumer suggestions every quarter to introduce seasonal differentiated food recommendations for different customers' age, gender, taste preferences, etc. Haidilao's service attitude is responsive and meticulous, and the enthusiasm and enthusiasm of employees make customers feel almost pampered care. This comprehensive, detailed service, as well as transparent menu choices, is an important reason why consumers are willing to pay higher prices for Haidilao.

### 3.2.2. Price

The price of Haidilao hotpot in all stores around the world is uniformly planned by the headquarters and adopts the geographical pricing model. This model allows Haidilao to adjust menus and prices to suit local markets according to consumption levels and eating habits in different cities, thereby gaining a competitive edge. Through this flexible pricing strategy, Haidilao can better adapt to the market demand of different regions, while achieving greater profits through price differences between cities. Haidilao's pricing strategy is predicated not only on cost and profit considerations but also on optimizing customer experience. Typically, consumers spending approximately 100 yuan per capita can expect to enjoy both delectable hotpot and the signature quality of Haidilao's service. This pricing approach allows Haidilao to regulate customer flow, thereby preventing a decline in service quality that might result from an excess of patrons, all while sustaining a relatively high per-customer revenue.

### 3.2.3. Place

Haidilao hot pot adopts the direct operation model, which is a significant feature that distinguishes it from other catering companies. Through the direct operation model, Haidilao is able to directly control the operations of all chain stores, ensuring that each store can strictly implement the company's marketing philosophy and service standards. This model not only ensures that consumers worldwide can enjoy standardized, high-quality services, but also empowers enterprises to interact directly with consumers, thereby obtaining the most effective market information. This direct consumer engagement fosters corporate innovation and advancement. Haidilao is not only a direct hot pot restaurant, but also a group covering the hot pot industry chain. Its business scope covers the hot pot bottom material supply, central kitchen, food procurement, warehousing logistics, takeout services and other links. This whole-chain layout enables Haidilao to guarantee the taste and quality of dishes from the source, while reducing raw material costs through economies of scale. The layout of the whole industry chain is one of the core competitiveness of Haidilao, so that it can maintain an advantage in the fierce market competition.

### 3.2.4. Promotion

The reason why Haidilao hot pot can achieve a very high re-purchase rate in the catering industry is mainly due to its meticulous service and continuous improvement of product quality. By establishing a good relationship with consumers, Haidilao has established a good brand image in the minds of consumers. Consumers naturally spread the brand in mutual communication, and this word-of-mouth publicity effect is significant, and does not require a large amount of commercial advertising investment. This kind of communication based on the real experience of consumers greatly enhances the credibility and attractiveness of the brand. With the rapid development of mobile Internet, the influence of we media is increasing. Haidilao actively takes advantage of this trend and enters major media platforms to carry out network marketing. Through social media, online platforms and other

channels, Haidilao not only enhances brand awareness and influence, but also carries out online ordering and delivery business. The delivery service not only reduces the service cost of customers entering the restaurant, but also meets the needs of some young people to enjoy Haidilao hot pot at home, and further expands the customer base.

## **4. Recommendation**

### **4.1. Optimize cost structure**

Haidilao's direct operation model, coupled with its high-quality and high-emotional-value services, enhances its brand advantage. However, this approach also entails significant operating expenses. Particularly in the context of a volatile economic landscape following the pandemic, cost control assumes heightened importance. To address this, Haidilao should leverage advanced cost management tools, such as big data analytics and artificial intelligence, to further optimize inventory management and supply chain efficiency. In addition, under the premise of ensuring the quality of service, reasonable allocation of staff to improve work efficiency. For example, through the incentive mechanism, the multi-skill level of employees can be improved, and the dependence on temporary workers can be reduced, so as to control labor costs well.

### **4.2. Enhancing digital transformation**

With the development of mobile Internet technology, consumer behavior and demand are also constantly changing. Therefore, Haidilao needs to further strengthen digital transformation to improve user experience and operational efficiency. Haidilao should optimize its official website and mobile app to provide more convenient online booking, ordering and payment services. At the same time, the personalized recommendation function is added to provide customized recommendations based on the user's consumption history and preferences. In addition to the existing delivery service, Haidilao can further expand online sales channels, such as cooperating with e-commerce platforms and social media, launching and packaging hot pot base ingredients, semi-finished dishes, etc., to meet consumers' needs for cooking at home.

### **4.3. Strengthen brand innovation and market expansion**

Although Haidilao has made remarkable achievements in brand building and market expansion, in the fierce competition in the hot pot market, it still needs to continue to innovate and expand to maintain its leading position. Haidilao should offer special dishes for limited time according to seasons and festivals. Moreover, to optimize the service experience, Haidilao should consider introducing intelligent services and interactive experiences as a means to enhance customer engagement and satisfaction. Second, Haidilao can choose to cooperate with other well-known ip, launch joint products, expand the coverage and influence of the brand and attract more young consumers. In order to cope with the increasingly competitive hot pot market, Haidilao should broaden its horizon and develop its brand into overseas markets. Haidilao should speed up its international market layout, especially in major markets such as Europe and the United States. Through localization strategies, adapt to local consumer tastes and cultural habits. For example, in countries that are not able to eat spicy food, it is appropriate to add less heat to the bottom of the pot. Or hold cultural experience activities, such as Sichuan opera face change, to enhance the brand's international influence and promote traditional Chinese culture.

## 5. Conclusion

The findings of this study confirm that differentiated competitive strategies employed by Haidilao have a essential impact on optimizing its sales volume, consistent with the hypothesis. Through differentiated competitive strategies such as excellent service experience, innovative product strategy, unique brand culture, efficient operation management, and strong brand promotion, Haidilao has successfully enhanced its brand influence among consumers in China. The research suggests that the integration of various differentiated strategies can increase sales by capturing the attention of potential customers and motivating them to consume in Haidilao. The findings align with the initial hypothesis that differentiated competitive strategies are essential methods for drawing in customers and driving purchasing decisions in monopolistic competitive market. However, the study does have certain limitations. This study did not incorporate primary data collection methods such as surveys or interviews; hence, it lacks direct consumer feedback to quantitatively validate the impact of differentiated strategies on sales performance. Additionally, due to regional limitations, this study only focuses on the Sichuan hotspot catering market, and the sample scope of the study is limited. It is hoped that the research scope can be expanded in the future to draw more complete and accurate data and conclusions. In conclusion, the study supports the hypothesis that differentiated competitive strategies are crucial drivers of sales of a company. Future research could build upon this study by incorporating a broader age range, conducting research in other geographic regions, and tracking the long-term effects of Haidilao's marketing strategies.

## References

- [1] Xu W Y. (2010). *Reunderstanding of the theory of monopoly competition*. (eds.) *Proceedings of the 2010 China Industrial Organization Frontier Forum* (pp.684-689). Department of Health Policy and Management, Peking University;
- [2] Wang T. (2023). *Research on Optimization of Haidilao Brand Development Strategy* (Master's Thesis, Beijing University of Chemical Technology). Master of <https://link.cnki.net/doi/10.26939/d.cnki.gbhgu.2023.001774doi:10.26939/d.cnki.gbhgu.2023.001777>
- [3] Caves, R. E., & Williamson, P. J. (1985). *What is product differentiation, really?* *Journal of Industrial Economics*, 34(2), 113-132.
- [4] Sharp, B., & Dawes, J. (2001). *What is differentiation and how does it work?* *Journal of Marketing Management*, 17, 739-759.
- [5] Tao Dechang, Tang Xiaochen, & Chen Qinwu. (2024). *Brand Story Construction and Emotional Marketing Strategy of Dongchuan Copper Culture*. *Time-honored Brand Marketing* (23), 12-14.
- [6] Jiang Yanghua. (2020). *Research on operation strategy of Haidilao hot pot based on 4P theory of marketing*. *Guangxi Quality Supervision Guide*, (01), 213.