

The Marketing Strategy of Haidilao

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Abstract: Haidilao's focus throughout its stores is customer service, which is one of its hallmarks. In order to attract customers, Haidilao focused its advert designs to capture the consumer's attention. Haidilao focused its advert designs to capture the consumer's attention. Haidilao's great customer service creates a feeling of happiness and pleasantness for the consumers. These factors provide a clear image of Haidilao's consumer attitudes. Haidilao's advertising mainly uses four major persuasion techniques: First is the Foot-in-the-Door Technique. Haidilao's services at the start make customers more willing to stay. Haidilao's staff creates an environment where the customer is king and they get to enjoy themselves to their fullest. Moreover, Haidilao has successfully expanded their markets towards overseas, for example it has been a successful food dealer since opening its market in UK.[1] However, Haidilao had also faced challenges during the pandemic same with other catering industries, this means mainly economic damages from the Haidilao in the pandemic but also facing the fall in table turnover rate while forcing Haidilao to shut down some of their restaurants-slowng the expansion plan of Haidilao.

Keywords: emotion and cognition, attitude and persuasion, consumer turnover rate

1. Introduction

1.1. About the Research

In this research, we analyze how does Haidilao focus on consumer behavior mainly through; emotion and cognition, attitude and persuasion, and also how does Haidilao survived throughout the pandemic- differences between other hotspot companies that rivalry toward them. While capturing the consumer's behavior, it is much easier for the company to increase revenue while they had gained the loyalty of consumers. At this stage, Haidilao has focused on adverts to capture the customers and so on. Moreover, by using various of different persuasive techniques. First is the Foot-in-the-door technique. Finally, the analysis of the situation of Haidilao's marketing strategy for covid 19 gives the reader information about the data and statistics of what Haidilao experienced throughout the pandemic – the falling table turnover rate, the size of the market, stocks, and so on.

1.2. Background Information of Haidilao

One of the most well-known hotpot companies in China, Haidilao, with an impressive growing revenue (only around 5 billion RMB in 2014 to 40 billion RMB in 2022), is now slowly expanding around the world, entering the foreign market economy.

Founded in 1933 in Jianyang, Sichuan. Since 1999 it gradually opened up markets in Xi'an, Zhengzhou, and Beijing, while starting in 2015, the restaurant slowly expands towards overseas [2] as shown in Table 1, Haidilao continuously opened their restaurants overseas and the number increased from 19 of restaurants in 2017 towards 114 in 2021. The main priority of Haidilao is customer satisfaction and creating positive experiences. These are all represented in their brand vision and brand philosophy. Their vision is that Haidilao's hotpot can encourage people to chat with each other and enjoy their food with other people, creating a more memorable experience, especially for younger populations. Their philosophy is to create a happy hotpot time and spread healthy hotpot culture all around the world with quality products and innovative services. These services include Specialized performances, celebrations, and free gifts. In addition, Haidilao's pricing was depending on the rivalries similar catering industries, and also while determining the pricing, Haidilao also thinks about the cost of operation and services as well as the situation where Haidilao couldn't get the information of pricing from the competitors. [1]

Customer service in Haidilao has played the leading role in the company's vast expansion as Abdullah and Rozario (2009) mention that Service quality is an attitude or global judgment about the superiority of service. Not only finding quick solutions to problems from any customers but building connections and emotions of customers are also valuable for the company to expand its reputation in the market. If customers become loyal to the brand, it will easily be less elastic to customers' demand in choosing restaurants. At the same time, they believe the price changes are not worth switching to a cheaper hotpot company while Haidilao attracted customers so much.

Table 1: Number of Haidilao Group restaurants by location 2021.

Characteristic	Mainland China	Overseas
2021	1329	114
2020	1205	93
2019	716	52
2018	430	36
2017	254	19

Prior studies had found that Haidilao actually had little experience in international markets. Even though it is a major player in local markets. According to F. Warren McFarlan, Haidilao needs international talent to penetrate into developing markets [3].

By using the increase, a well opportunity condition increase in consumer income. Haidilao can use it to build new projects where consumers will then be increasingly willing to pay for this firm. However, Haidilao also needs to closely monitor the consumer household debt level and level of efficiency of local financial firms. For example, an increase in household debt decreases the consumption of the consumers while there is an economic issue. In other words, leisure time will decrease for them in order to work.

In this article, we aim to focus on emotion and cognition from the consumers towards Haidilao, and also with the support of pictures and data for analysis of Haidilao. Cognitive behavior refers to the role of cognition in the behavioral pattern of individuals, while consumer behavior means the study of individuals, groups, or organizations and all the activities associated with purchase, use, and disposal of goods and services.

In China, with the world's largest population and the increase in the living standard shown in Fig 1, consumer spending on goods and services, especially on food services, has benefited Haidilao. According to Fig 2, hotpot services and consumption between the year, 2010-2020 continuously increased throughout the year therefore let Haidilao company has a good opportunity to increase its revenue and reputation with the unexpected performance of services to consumers.

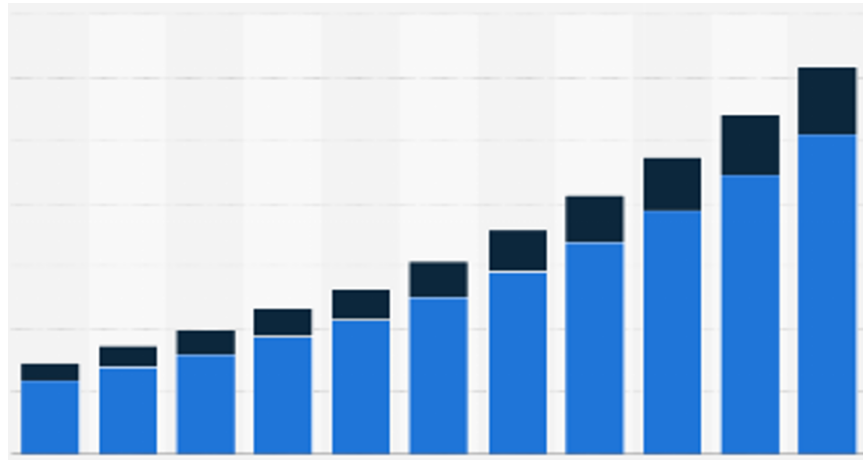


Figure 1: Number of Haidilao Group restaurants by location 2021 [4].

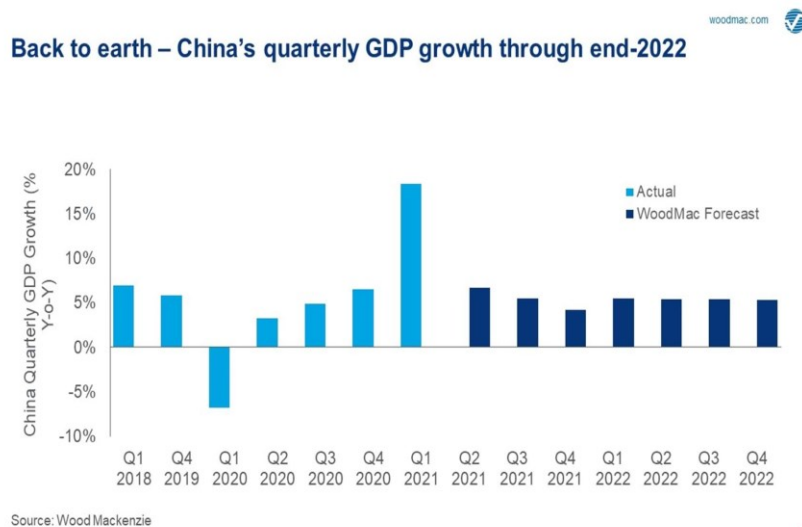


Figure 2: Number of Haidilao Group restaurants by location 2021 [4].

1.3. Comparing Haidilao with Other Catering Industries

While Haidilao brand's a large percentage of catering industries, another firm (Little Ship Hot Pot) could be compared with it- however it was no longer an individual industry till 2011, China's commerce Ministry approved Yum China's acquisition of Little Sheep hotpot [5]. This company was once the first hotpot firm in China to catering industry in Hong Kong, starting the business in 1999- in the city of Baotou by entrepreneurship ZhangGang. This firm hadn't insisted for a long period, by having three main problems; insufficient diversified products, family management mergers and acquisitions, uneven service level and professional management is difficult to step up. Those had been the main reason that resulted in the "step-down" of this hotpot firm in the catering industry. As an example, while consumer behavior is changing- tastes and fashion, Little Sheep Hotpot only had

a single popular product- only sticking on mutton hotpot. This means that while the popular characteristic of mutton sheep hotpot had survived. However, its variety hadn't. Due to the rivalry between hotpot industries such as Haidilao- the menu is huge, such as the sauce station at Haidilao is incredibly vast [6]. Hence, this shows that due to loads of rivalry in the catering industry, one of the most effective ways to survive in the market was knowing consumer behaviors towards the markets.

2. Emotion and Cognition

As the saying goes, the customer is "God", and Haidilao is well aware of this and has applied it. Haidilao's focus throughout its stores is customer service [7], which is one of its hallmarks. All this is centered to provide a delightful experience to the customers. As customer enjoyment increases, loyalty will naturally increase.

In order to attract customers, Haidilao focused its advert designs to capture the consumer's attention. Haidilao uses the theme of red and white color as the main parts of their advertisements and stores. Red and white complement each other and creates emphasis. The result is the advert being able to capture the involuntary attention of pass-by consumers easier. The design is also simple and easy to remember, allowing a deeper impression.

Advertising is an important part of every company's marketing and can determine the success of a brand. In other words, the popularity of high or low. Haidilao's advertising strategies focus on using online platforms and offline adverts in public areas to attract attention, which are also the two most general ways of promotion. According to its privacy policy, Haidilao uses cookies to provide a better user experience for consumers [7]. They use this in ways like selective targeting to attract the consumer's interest. Offline banners and adverts appear in supermarkets or major attractions to reach the most amount of people and people who are interested.

The part of the adverts that creates fascination and empathy is also essential. Haidilao's advertisements mainly use personally relevant stimuli to create connections with consumers. As people can see on the bottom of the logo it says "Open 24 hours". Hotpot is a food that people like to enjoy with friends, and often this is after work. "Open 24 hours" create a personal connection with people who have late working schedules and entices them. This attracts a broader range of customers.

Food safety is also a hot topic that is being discussed by people at the moment. Haidilao creates a perception of high-quality food and services for most consumers. Multiple reports and reviews have centered around the fact of Haidilao's great customer service. For example, any of the products that customers taste are HACCP certification, QS certification, and ISO international quality management system certification. In addition, efficient automated processes and mechanized equipment have also gained a large portion of consumer confidence. As mentioned, that is their main selling point. Due to the wide range of advertising, customers are visiting the location based on expecting and great overall experience. As is commonly said, you get what you pay for, and the higher price of the products also results in customers having a perception of higher quality. All of these create a positive perception before a consumer visits the location.

Haidilao's great customer service creates a feeling of happiness and pleasantness for the consumers. For instance, when customers walk into the restaurant, the positive attitude and full vitality of the staff can readily infect customers, whether they are coming with friends for a birthday or just off work and need material comfort. With the positive mood and attitudes, it has been shown that there is overall high customer satisfaction (Fig 3). Customers are also more likely to recommend Haidilao to their friends, enhancing the spread of information.

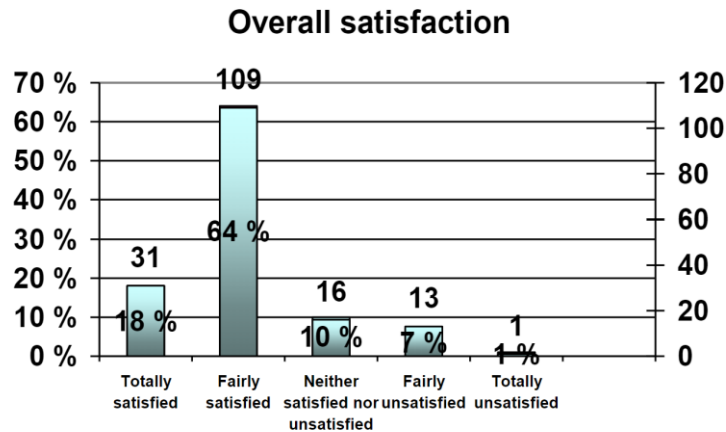


Figure 3: Overall satisfaction [8].

3. Attitudes and Persuasion

Haidilao has an overall positive attitude in the community. To measure explicate attitudes, Haidilao has an average rating of 4.5/5 on trip adviser and 4.4/5 on the Chinese website Dazhongdianping. These factors provide a clear image of Haidilao's consumer attitudes. A review above 4, in general, is considered a strong positive. Strong positive attitudes suggest that the customer is likely to spread the word to others and keep their loyalty.

3.1. Haidilao's Advertising Mainly Uses Four Major Persuasion Techniques

First is the Foot-in-the-Door Technique. When a customer visits a Haidilao location, they offer many snacks, refreshments, and manicures. These create a feeling of obligation that they had taken advantage of the location, so they should stay and eat. This technique keeps customers' willingness and desire to eat at their location.

The second is the Reciprocity technique. Haidilao's Services at the start make customers more willing to stay. Haidilao also provides discounts, extra services, and membership benefits to boost consumer interest and increases customer loyalty.

The third is the Consensus/social validation technique. Due to intensive advertising and the spread of information across friend groups, Haidilao has been pictured as a location where friends hang out and can enjoy spending time with each other. It creates a trend that makes Haidilao the prime location for gatherings. People, especially young people, are willing to follow others and trends and they are more likely to visit a Haidilao location to fit in with their group or to satisfy their social needs.

Fourth is the Liking technique. Haidilao's staff creates an environment where the customer is king and they get to enjoy themselves to their fullest. This gives off a feeling of authority to consumers which follows their liking. Haidilao's actions create a connection between hotpot and social gatherings. This creates connections especially during New year and other celebrations related to large gatherings, making similarities between the customers and Haidilao.

4. The Marketing Strategy During the Covid-19

While slowly diversifying the hot pot chain of its company by slowing its rollout of new restaurants and increase in diversify its fare, the profit of the firm rises. However the arrival of the pandemic had affected Haidilao similar to all other restaurant firms — catering industries in China shrunk by 4.5% in August 2021, it was said by an analyst that it will likely remain volatile for some time. At

the beginning of the pandemic, Haidilao was initially unfettered by it. Therefore, it expanded in early 2020 while doubling the market size to 1600 in 2021. Unfortunately, the expansion didn't make a profit for Haidilao while the table turnover rate, which was 4.8 in 2019 before the pandemic, down the three sets of consumers per day on average. In Hong Kong, the share price for Haidilao had fallen in February from HK\$86 to around HK\$30 afterward. Hence, this concludes that creating future demand is much more important than fulfilling demand during the pandemic. (\$1=6.4459RMB)

Haidilao had diversified its food varieties by specializing in fast foods. Such as noodles and dumplings, moving beyond hot pot, which was the signature dish of southwestern Sichuan province. This has certainly made a huge difference to the company 27 years ago.

"Hot pot has a strong social feature, so people are less likely to order hot pot at home" [3] said Zhu Danpeng, an independent food industry analyst.

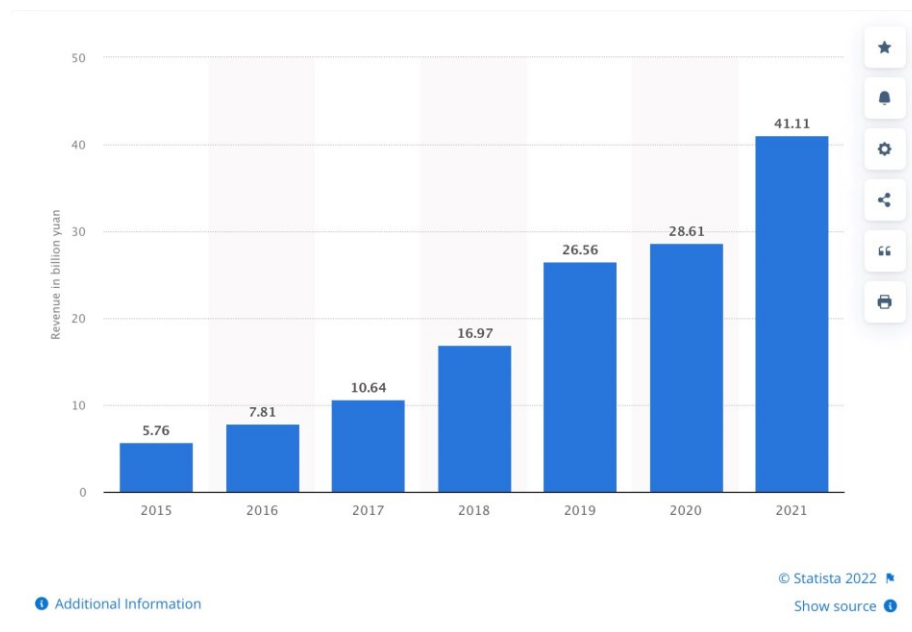


Figure 4: Revenue of Haidilao Group 2015-2021 [8].

As shown in Fig 4, the revenue of Haidilao had been increasing significantly since 2015. However, due to the covid from 2019 to 2020, it has hardly enhanced its revenues. The group of Haidilao had expected a decrease of approximately 90% in net profit for the year ending on 31st December 2020. Despite the rise in revenue, Haidilao had actually made a loss in 2021. Zhang Yong, the billionaire entrepreneur who co-founded Haidilao, stepped down as chief executive in 2021 after the company flagged the expected loss for 2021. The firm closed 276 restaurants but also opened 421 new stores. [9-10] The loss was also partly due to a 54% of staff cost and higher spending on raw materials and so.

5. Conclusion

Haidilao is a hot pot business full of diversity. With the improvement of people's quality of life, their demand for food has also increased. Hot pot has rightly become a pastime in people's lives, which gave Haidilao a great opportunity to develop. But improvements are not easy to make, so here, we will make suggestions to Haidilao from three points.

The first is about the environment. Haidilao can be a crowded place at mealtimes, which means that there will be surrounded by noise. Surveys have shown that 24% of consumers are fairly unsatisfied and 13% of consumers are totally unsatisfied. In other words, nearly half of the consumers

cannot tolerate an excessively noisy environment when eating. A suitable way to solve this problem is to provide more private rooms to increase noise isolation.

The second is about marketing. Haidilao will send ads on different social media platforms, but each social platform has a different audience and different people will have different views of ads, which means that ads from Haidilao don't have precision. The risk of doing so is that consumers will easily get bored with the ads and block them, which is counterproductive. A better way to pose ads is to make better use of big data. For instance, collect location data to find out where customers are, and then distribute ads if they are close to the shop.

The last is about consumer surveys. Large companies like Haidilao will certainly do customer questionnaires, but perhaps because of busy business or various reasons, only a few people's suggestions will be heard, and very few of them will actually be implemented. For example——Haidilao's most classic birthday song——a survey showed that this service embarrassed nearly half of its customers, but Haidilao was not aware of the problem. So the only way to solve this problem is to be more active in collecting and reading and implementing customer comments.

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