

Research on Marketing Strategies of Chain Restaurants in Post-Pandemic-- A Case Study for H Hotpot

¹ Dr. Lifen Tsai, (Ph.D.), ² Yating Liang

^{1,2} SCHOOL OF ECONOMICS AND MANAGEMENT

^{1,2} ZHAOQING UNIVERSITY, ZHAOQING, CHINA

DOI: <https://doi.org/10.5281/zenodo.14208987>

Published Date: 23-November-2024

Abstract: The economy declined and the spending power decreased after the pandemic. Facing competitive market, it is necessary to improve the company's strategy to survive for the chain restaurant, How H hotpot find the problems and optimization which is worthy of investigation. Through literature review, case study and in-depth interview analysis, it found that H hotpot has the problems of dish innovation, excessive service, high prices and promotion. It should improve product innovation, service innovation, re-position prices and promotion innovation. Through this study, the theory would enrich. Under the economy declined, H hotpot could consolidate its leader position.

Keywords: Post-pandemic, Chain restaurant; Marketing strategy; In-depth interview.

I. INTRODUCTION

With the development of Chinese economy, people income and consumption levels have generally increased, which has promoted the vigorous growth of China's restaurant industry. In order to gain market advantages, the companies have chosen chain operations to reduce costs through economies of scale. After the pandemic, due to retaliatory consumption, in 2023 the revenue of Chinese restaurant industry was US\$74 billion which increased more than 20% compared with 2022. Comparing with other people's livelihood industries, restaurant industry has recovered faster (Lin, 2023). However, in 2024, consumer behavior changes and spending power declines. In the first half of 2024, about 1.05 million restaurants went bankrupt (China.com, 2024). The survival environment of restaurant industry is becoming difficult. How to formulate the right marketing strategy to enhance the competitiveness and attractiveness of restaurants are an important issue.

This paper takes H hotpot as the object of a case study. Through literature review, case study analysis and in-depth interviews, it finds out the problems in the marketing strategy of chain restaurants in Post-pandemic and proposes optimization. It would provide an effective reference for H hotpot and chain restaurant in marketing strategies, and thus achieve sustainable development of enterprises.

II. LITERATURE REVIEW

A. Chain Restaurant Operation

Chain operation is organized by the headquarters to operate the same category of goods in various regions. Through the joint operation of each chain store, common economic benefit is brought in and group business activities are developed. Chain operation is unified through the standardization, specialization, and modernization of headquarters management (Chuang, Kuo,& Luo, 2020).

During the epidemic, it is difficult for small and medium-sized restaurants to survive, and independent stores have squeezed profit margins. The more chain restaurants of large scale and complete systems emerge, the more market share they would gain. Increasing the number of stores and achieving higher economies of scale to stabilize profits and long-term development has become a consensus among restaurants. Therefore, many catering brands have opened or restarted the franchise model. Sun and Lee(2021) believes that chain operations have advantages in resource allocation, corporate image

and market competitiveness. In the catering industry, service is a key success factor. Fainshtein, Chkoniya, Serova, and Vorobyev(2023) emphasizes the necessity of service innovation. This study believes that the development of chain operations for restaurants could not only help to improve the business operation system, but also enhance the competitiveness of enterprises. Chain restaurants must continue to innovate services to achieve sustainable development.

B. Marketing strategy

Marketing strategy refers to the target market strategy selected by an enterprise based on its internal conditions and external environment of the enterprise (Suttikun, Mahasuweerachai, & Bicksler, 2023). The target is to expand the advantages of the enterprise to enhance its competitiveness, quickly respond to changes in the market environment, and invest the least marketing cost to obtain the maximum economic benefits. Based on the 4P marketing theory proposed by Professor McCarthy, the 7P marketing mix was developed, adding three new items: personnel, process, and tangible display. Min and Min (2020) believe that marketing strategies should be differentiated, consider consumer preferences, and adjust their food and services to meet the personalized needs of different customers. The restaurant industry should not only have good environmental hygiene and good food, but the most important issue is the service. Qualified service could improve customer satisfaction (Pimentel, Bassi-Suter, & Didonet, 2024). Kim and Lee (2012) proposed that service personnel in the restaurant industry often communicate with consumers, which could enhance consumer satisfaction and thus increase volume of business. Marketing activities and Word-of-mouth marketing could show the positive image, increase its popularity, and improve customer loyalty.

In the Internet age, digital marketing is more acceptable and practical than traditional marketing (Olson, Olson, Czaplowski, & Key, 2021). Electronic devices help customers to obtain restaurant information. In recent years, food apps have developed rapidly. The consumers could see other consumers' experience by searching on the app. The Internet has made consumers frequently use food apps. The restaurant should strive to understand consumer needs and formulate marketing strategies to attract consumers in order to increase market share (Singh, Singh, & Dhir, 2024). In the Internet age, the restaurant industry should strengthen quality and process control, strictly supervise, and optimize the brand marketing strategies, promoting accurate marketing, and providing distinctive services and products (Huang, Hall, & Chen, 2023). Chinese restaurants often use online to communicate with consumers and position by the awards, and rarely mention localism and sustainable development. This positioning may have an impact on culinary heritage and destination marketing. After the retaliatory consumption faded in China, the restaurant industry showed four new trends: "extreme cost performance ratio", emotional value, small-town tourism, and open franchising. The theme of this study is how chain restaurants could find optimized marketing strategies to achieve sustainable development (East Money Network, 2024).

C. Current status of H Hotpot marketing

H Hotpot was founded in 1994. It is a large-scale hotpot restaurant that integrates the characteristics of various hotpot. Now H Hotpot has become an internationally famous chain restaurant. As of June 2024, H Hotpot has 1,446 directly-operated branches around the world, including 1,320 stores in mainland China, 23 stores in Hong Kong, Macao and Taiwan, and 122 stores overseas (Haidilao Website,2024). Currently, H Hotpot has a variety of hotpot bases with different flavors, which can satisfy most customers. It also freely provides special snacks, fruits and drinks. H Hotpot creates a pleasant hotpot dining experience for consumers through high-quality services. The current marketing status of H Hotpot is presented based on the 7Ps:

1. Product strategy: focusing on differentiation

The dishes are rich and diverse, and the headquarters centrally supplies and distributes to reduce costs and ensures fresh ingredients. Innovative items such as four-square hotpot, half-portion dishes, and self-service dipping sauces have been rolled out.

"Good service attitude" is the opinion of most interviewees. When consumers queue up, they already enter the service system. There are free services such as manicure, hand care, and shoe polishing. After entering the store, the waiter will bring the hot towel for hands, prepare aprons, and prepare hair bands for long-haired customers. During the meal, you will enjoy full services, such as Sichuan drama of face-changing, the performance of noodle and the popular dance of "Subject Three". After the meal, you can take away snacks and fruit. Many new projects have also been launched recently. After the concert, fans will be picked up by bus to H hotpot. The new location of the restaurant sets up at the night market. H Hotpot actively innovates to meet consumer needs.

2. Pricing strategy: The average consumption before the pandemic was around US\$15.20. Using prestige pricing, discount pricing and high-quality service pricing are used. About 36% or 12% discount are provided for target groups to stimulate consumption desire, such as college students at specific times.

3. Promotion strategy: H hotpot mainly uses online video ads, limited-time discounts and outdoor billboards to attract consumers. The restaurant leads employees to participate volunteer work and establish a good brand image. Use various media platforms such as TikTok and Little Red Book to carry out online marketing, launch Weibo accounts, WeChat applets, and public accounts which can place orders online.

4. Channel strategy: H hotpot is mainly located in large shopping malls or office buildings. H hotpot mainly uses offline sales model with supplement of online takeaway sales. Since July 2023, a pilot operation of the "night market" model has been carried out in some cities.

5. Personnel strategy: H hotpot creates the learning development center, opens special training courses, leaves room for promotion for employees, and promotes sustainable development of the company. The waiters have been authorized to provide free dishes and gifts for customers. Service personnel are required to be dedicated to their work. The excellent incentive mechanism and strict management system have effectively reduced the turnover rate of employees.

6. Tangible display strategy: The store design is fashion and natural. The cabin layout and sofa seats allow consumers to enjoy privacy and comfort. Free snacks, drinks, printing photos and manicure are prepared for consumers to create a pleasant experience. *"The LOGO is conspicuous and the internal layout is simple and clean"* Interviewee D. Interview time: February 2, 2024).

7. Process strategy: The service process provides consumers with meticulous care and free performances to make consumers to enjoy meal process.

III. RESEARCH METHODS

This study collected relevant materials through literature review, case study, and relevant research information by 10 interviewees who had consumed at H Hotpot. The interview time was between January and March 2024, and each interviewer took about 40-60 minutes. The basic information of the interviewees is shown in Table 1.

TABLE 1: BASIC INFORMATION OF THE INTERVIEWEES

	code	gender	age	Occupation	Frequency of consumption
1	A	female	23	Student	6
2	B	Female	22	Student	5
3	C	Female	22	Manager	5
4	D	Female	22	Judge assistant	10
5	E	Female	24	Student	4
6	F	female	48	worker	5
7	G	male	50	worker	3
8	H	male	43	Service industry	2
9	I	male	38	worker	5
10	J	male	32	freelance	6

Through the content analysis method, this study conducts the data of in-depth interview and summarizes to present its characteristics in Table 2.

The marketing strategy of H Hotpot is classified into 7Ps. Most consumers think that the quality of the dishes is good, but some consumers mentioned that they expect to have more innovative dishes, and some consumers mentioned that the taste is normal. 50% of interviewees think that the service is enthusiastic and 50% of interviewees think that the service is excessive. 70% of interviewees are satisfied with the service staff, and 30% of interviewees are very satisfied. It can be seen that consumers have a high evaluation of the quality of H Hotpot dishes, and the taste and innovative dishes can be considered for improvement. 30% of consumers think that service is important, but 70% of consumers think the price is important. 90% of respondents think that the price is too high. Most consumers have positive opinions for tangible display, and only an interviewee thinks that the aisle is a bit narrow. The location of the restaurant is also appropriate. Most stores are in shopping malls, and consumers feel that they can go shopping while waiting.

Most channels of know H Hotpot for consumers are recommendations from friends, the Internet (bloggers visiting the store), and passing by the Brick-and-Mortar store. Interviewees receive promotion information from bloggers, and consumers rarely receive promotion information from official website and App. What marketing methods attract consumers? The ranking is in order of live performances, free services, high service quality, birthday celebrations, and promotional discounts.

Through the content analysis method to sort out the in-depth interview data, it is found that consumers pay attention to moderate service, price, experience in the consumption process, additional services and promotional activities. The interviewees also concern for happy birthdays, performances and meal alone, it reflects the consumers value emotional value and a happy meal atmosphere.

A. Existing problems of H Hotpot

Through the analysis of literature, case study and interviews, it is found that the existing problems of H Hotpot are as follows:

1. Dishes and taste problems: Although H Hotpot has good quality dishes, fresh ingredients, innovative items and innovative additional services, the respondents did not give much positive feedback on taste and dish innovation, which shows that there is still room for improvement.

2. Excessive service problem: Most attraction and differentiation of H Hotpot are the service which is a signboard and a difficulty. There is an exclusive service system, which starts with "smiling service" before consumers enter the store. The excessive service of staff would make consumers feel that it disturbs their meals, and disgusted.

"I hope the service staff can provide moderate service" (Interviewee I. Interview time: February 19, 2024).

TABLE 2: ANALYSIS OF H HOTPOT MARKET STRATEGIES

Topic	Answer	item	Frequency	Percentage(%)
Product	Product quality and taste	Good dishes	14	77.78
		New products	1	5.56
		Normal taste	1	5.56
		Normal overall quality	1	5.56
		Expect more innovative dishes	1	5.56
Service staff	Service attitude	Enthusiastic service	6	50.00
		Excessive service	6	50.00
	Service satisfaction	Satisfaction	7	70.00
		Very satisfaction	3	30.00
Price	Price and service, which one do you choice?	Price	5	50.00
		Service	3	30.00
		Both are important	2	20.00
	price	High price	9	90.00
		Normal	1	10.00
Stylish display	Restaurant decoration, layout and traffic flow	Decoration is quite satisfactory	5	29.41
		Comfortable	4	23.53
		Normal decoration	2	11.77
		Decoration is simple and clean	2	11.77
		Proper space layout	1	5.88
		The aisle is a bit narrow	1	5.88
		Appropriate traffic flow	1	5.88
Conspicuous LOGO	1	5.88		
Channel	Restaurant location	Proper location	10	100.00
Promotion	the channels of Know	Recommended by friends	5	41.67
		network	4	33.33
		Brick-and-Mortar store	3	25.00
		Rarely find from AD	4	30.77
	Advertisement and promotion efforts	Bloggers visit the store	3	23.08
		Normal	2	15.39
		Rarely promotion	1	7.69
		Rarely find from official Website	1	7.69
		Rarely find from APP	1	7.69
		Strong promotion from search	1	7.69
		Marketing methods to attract consumers	Performance	6
	Free service	4	19.05	
	Good service	4	19.05	
	Celebrate birthday	3	14.29	
	Discount	2	9.52	
Gift & toys	1	4.76		
New products	1	4.76		

3. Price problem: Consumers generally consider that the price is too high. The average price of consumption before the epidemic was about US\$15.20. It is a relatively high price in hotpot industry. The consumers do not agree with the price of H Hotpot. Only good service cannot retain consumers, and the price needs further improve.

After experiencing the good service of H Hotpot, I prefer the hotpot restaurants with preferential prices" (Interviewee J. Interview time: February 19, 2024).

Affected by the epidemic, income of customers has declined, and consumers pay more attention to high cost-performance ratio. In addition to the limited-time discount for college students and festival coupons, there are fewer preferential activities for ordinary consumers. Consumers prefer to choose hotpot restaurants with group purchase discounts, so H hotpot is not the first choice for consumers of hotpot.

4.Promotion issues: H hotpot has scarce online advertising and no spokesperson. Most respondents mentioned that they rarely contact with official information, and mainly get information from bloggers and word-of-mouth of friends, although there are online marketing platform, such as public accounts and mini programs.

IV. RESULT

In response to the above existing problems for H Hotpot's marketing, this study proposes the result of optimization countermeasures:

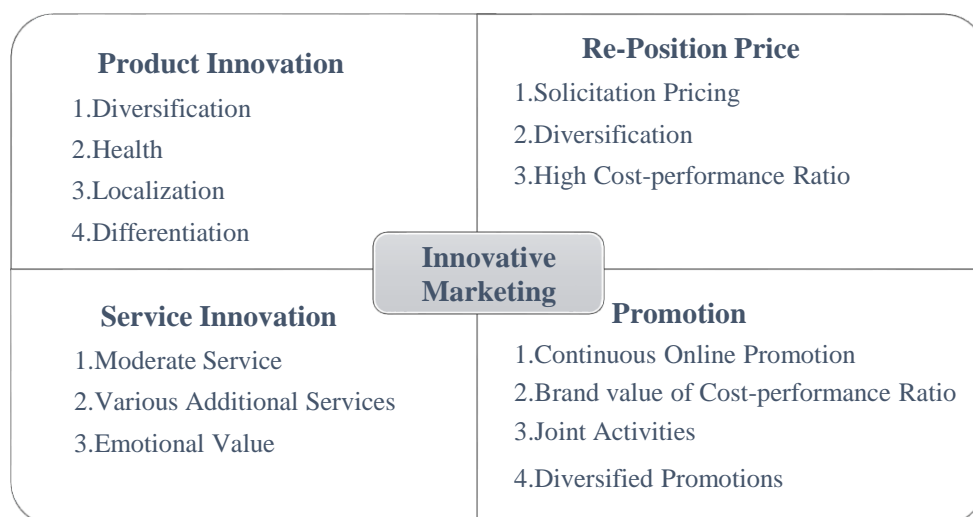


Fig. 1. THR OPTIMIZATION OF H HOTPOT MARKETING STRATEGY

1. Product innovation

H hotpot develops diversified products and services based on different consumers and regional characteristics. First, by continuously developing new dishes, it provides a variety of choices for consumers who like to try new things. Secondly, it pays attention to the health needs of consumers and launches some healthy foods, such as low fat, low salt, and low sugar. Lastly, innovating regional specialty dishes would localize and differentiate products from other hotpot restaurants. Different regions have different food cultures and taste preferences. Some hotpot dishes with unique local characteristics are developed. "Region limitations" always attract consumers' attention.

2. Service innovation

H hotpot should provide moderate service and moderately reduce the frequency of service to increase meal spaces of the customers. And H hotpot should continue to launch a variety of innovative additional services, such as hair washing service, directly pick up to H hotpot after the concert, night market stalls, and free performances which have attracted much attention. The business hours and diversified promotional programs could be extended to increase young customers and night economy consumption.

H hotpot should pay attention to the meal mood of customers, and make customers enjoy the dining process, and let customers dine in a happy atmosphere through free performances such as face changing. Innovation would enable H hotpot to maintain its leading position in the fierce competition and attract more attention and favor. Through the above countermeasures, H hotpot can gradually build a high-quality service team that meets consumer needs, provide the better service experience, increase consumer comfort, and provide sustainable development competitiveness.

3. Repositioning prices

Most consumers think that the consumption level of H hotpot is too high. It is recommended to reposition prices in the following ways: attractive pricing, differentiated pricing and enhancing cost-performance ratio. H hotpot should adjust price to attract consumers to patronize, increase customer flow, and increase sales." *H hotpot should reprice the dishes that customers often order to the market average price or slightly lower than the market price" (Interviewee F. Interview time: February 15, 2024)*

H hotpot should expand multiple and different group discount activities to reduce prices to attract consumers. The new sub-brand opened in September 2023. It would attract young customers with affordable prices and develop the habit of consuming in H hotpot Group. The consumers could enjoy the same membership system in any restaurant in the group and also experience different feelings. When the customer experience is better, more consumers can be attracted and market share can be increased. H hotpot could decrease dish sizes to reduce the consumption amount and the consumers could order more dishes. The cost performance ratio is improved and it could increase satisfaction of customers.

4. Promotion innovation

- i. Increase visibility on major social media platforms.
- ii. Build brand value of cost-performance ratio.
- iii. Multiple joint activities to increase brand youth, topicality and freshness.
- iv. Continue to use the Internet and social media for online promotion: invite Internet celebrities to visit restaurants and spread short videos, effectively enhance brand awareness and influence.

5. Promotion innovation

H hotpot continues to use the internet and social media for online promotion to effectively enhance brand awareness and visibility, and expand its social impact, for example, inviting Internet celebrities to visit stores and spreading short videos. H hotpot could promote the brand of high cost-performance ratio and conduct multiple joint activities to increase the brand of youthfulness, popularity and freshness. The restaurants enhance diversified promotions to increase the frequency of consumer visits and usually change promotions for different specific groups to attract potential consumers, for example, discounts for the elderly, medical staff, teachers and soldiers and various festivals or events for promotions.

V. CONCLUSION

After retaliatory consumption, the economy was declined in post-pandemic. In the first half of 2024, about 1.05 million catering companies closed down. The competition in the catering industry is getting fiercer. The correct marketing strategy would enhance the brand influence and competitiveness of chain catering companies. According to the literature reviewer, case study and interview analysis of this study, it found that H Hotpot has problems of taste and dish innovation, excessive service, high price and promotion. This study proposed that H Hotpot should adopt product innovation, service innovation, reposition price, promotion innovation to face the severe competitive market and consolidate its outstanding position in the chain restaurant industry for sustainable development.

REFERENCES

- [1] China.com (2024). Haidilao's rebirth from adversity and exploration of multi-brand strategy, Retrieved from https://hea.china.com/article/20240919/092024_1577484.html.
- [2] Chuang, L. M., Kuo, T. S., & Luo, G. Y. (2020). The sustainable service innovation model in the chain restaurant industry: circular economy perspective. *Advances in Management and Applied Economics*, 10(4), 1-22.
- [3] East Money Network (2024). China chain store & franchise association report: "Ultimate value for money" and going overseas become trends in the catering industry, Retrieved from <https://finance.eastmoney.com/a/202408013145978964.html>.

- [4] Fainshtein, E., Chkoniya, V., Serova, E., & Vorobyev, P. (2023). Sustainable Social Systems: Innovative Service Implications in the Restaurant Business in the Post-COVID Era with Digital Transformation Strategies. *Sustainability*, 15(19), 14539.
- [5] Haidilao Website (2024), <http://www.haidilao.com>.
- [6] Min, H., Min, H. (2020). Cross-cultural competitive benchmarking of fast-food restaurant services, Benchmarking: *An International Journal*, 5(3):62-65.
- [7] Huang, Y., Hall, C. M., & Chen, N. C. (2023). The characteristics of Michelin-starred restaurants in mainland China, Hong Kong, Macau, and Taiwan. *International Journal of Gastronomy and Food Science*, 31, 100673.
- [8] Kim N, Lee M. (2012). Other customers in a service encounter: examining the effect in a restaurant setting. *Journal of Services Marketing*, 26(1):27-40.
- [9] Lin L.L. (2023). Catering industry ushered in a strong recovery. *China Food Industry*, (9), 6-8.
- [10] Olson, E. M., Olson, K. M., Czapslewski, A. J., & Key, T. M. (2021). Business strategy and the management of digital marketing. *Business horizons*, 64(2), 285-293.
- [11] Pimentel, P. C., Bassi-Suter, M., & Didonet, S. R. (2024). Brand activism as a marketing strategy: an integrative framework and research agenda. *Journal of Brand Management*, 31(2), 212-234.
- [12] Singh, S., Singh, G., & Dhir, S. (2024). Impact of digital marketing on the competitiveness of the restaurant industry. *Journal of Foodservice Business Research*, 27(2), 109-137.
- [13] Sun, K. A., & Lee, S. (2021). How does franchising alter competition in the restaurant industry?. *Journal of Hospitality and Tourism Management*, 46, 468-475.
- [14] Suttikun, C., Mahasuweerachai, P., & Bicksler, W. H. (2023). Marketing strategies in the age of COVID-19: an attitude, belief, context approach. *Family and Consumer Sciences Research Journal*, 51(4), 262-276.