

The Impact of the Epidemic on Chinese Catering Industry and Countermeasures

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Abstract: COVID-19 broke out in 2020 and quickly spread around the world. The COVID-19 outbreak has had a major impact on economies around the world, and China's economy has also been hit hard. Under the environment of rapid development of market economy, catering industry plays an increasingly important role in China's economic development, which greatly promotes the development of national economy. Based on COVID-19, a public health emergency, this paper analyzes the difficulties faced by Chinese catering enterprises and the problems existing in the industry, and puts forward reasonable opinions and suggestions for the development of catering enterprises in the post-epidemic era.

Keywords: catering industry; covid-19; post-epidemic era; development mode; suggestions

1. Introduction

In January 2020, it was the traditional Chinese New Year, and while people were immersed in the joy of the New Year, an epidemic suddenly swept the country. In order to control the epidemic and prevent its spread, the national policy required the catering industry to shut down all operations. Under such circumstances, the annual profit of the catering industry was significantly reduced, and the catering enterprises were under huge cost pressure, cash turnover was difficult to support the normal operation of the enterprises, and some catering enterprise stores faced the risk of closing down. As the epidemic in China has been effectively controlled, the catering industry has gradually resumed normal operations. According to the latest survey data from the Institute, the average turnover of the surveyed catering enterprises nationwide only recovered to 56.86% of the same period last year, and the customer flow only reached 60.45% of the same period last year [1]. The national catering industry market is slow to warm up overall, without the rapid rebound after the epidemic eases. In the "post-epidemic" era, the restaurant industry still has a tough road ahead. At present, there are fewer studies on the impact of the new pneumonia epidemic on the catering industry, and most of them stay in the "SARS" period. With the rapid development of society, the catering industry is facing a more complex situation, but at the same time there are many new opportunities. In this paper, we analyze the current situation of the

restaurant industry during the SARS epidemic and propose a new business model of "service + retail", vigorously develop online business, strengthen capital management, reduce costs, and take advantage of policies to help mitigate the impact of the SARS epidemic on the restaurant industry.

2. Problems in the Restaurant Industry

2.1 Decrease in Operating Income

The development prospect of China's catering industry is good in the long run, with the national catering turnover increasing from 2,686.36 billion to 655.738 billion yuan in the decade from 2009 to 2019, with an average annual growth rate of over 20%. The Chinese New Year period, which should be a golden week for catering consumption, was affected by the epidemic and most of the country required catering outlets to close their stores to reduce mass infections caused by the gathering of people. Since January 21, most banquets have been canceled, with a 94% cancellation rate for the Chinese New Year dinner alone in 2020. The catering industry has been forced out of business, with a significant drop in customer traffic and reduced market demand, ultimately leading to a decline in revenue for caterers in 2020. According to the report of the Catering Association, in 2019, the revenue of China's catering enterprises is 4,676.1 billion yuan, and in 2020, the revenue of China's catering enterprises is 3,968 billion yuan, a decrease of 708.1 billion yuan compared with last year, down 15.1% year-on-year, as shown in Figure 1. The data shows that 78% of the revenue amount of catering enterprises decreased by up to 100%; 9% of the revenue amount of catering enterprises decreased by more than 90%; 7% of the catering enterprises business Revenue decreased between 70% and 90%; only 5% of the catering enterprises decreased by less than 70%. In just 7 days of the Spring Festival, the epidemic caused a loss of approximately 500 billion RMB in restaurant retail sales.

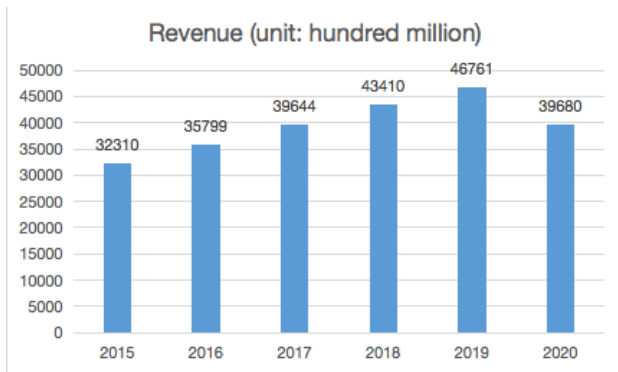


Figure 1. 2015-2020 China's restaurant industry revenue

2.2 Capital Turnover Difficulties

Catering enterprises usually have rich cash flow due to the transaction mode of "cash on cash". All of this assumes business as usual, and once the store is closed, the cash flow is broken. The decrease in operating income and the rise in operating costs will inevitably affect the cash flow of catering enterprises. On the one hand, the amount of cash flow is greatly reduced, on the other hand, the cash outflow is not reduced but increased, which will inevitably lead to the deterioration of corporate cash flow, resulting in insufficient working capital, enterprise capital turnover difficulties. In early February 2020, according to the survey of tens of thousands of catering enterprises, the proportion of enterprises with capital difficulties has exceeded 90%.

In order to relieve the cash flow shortage and prevent the fracture of the capital chain, enterprises usually first think of applying for loans to banks and other financial institutions. China's catering industry market scale is huge, most of them are small-scale operation, more individual operators. Generally speaking, small and medium-sized catering enterprises do not belong to high-quality customers, the bank lending requirements are strict, enterprise financing is more difficult. And the epidemic is currently, the catering industry to pay the rent and wages without incoming revenue, shaking under a highly strained cash flow. Many companies may only last 2-3 months, which is the consensus of many big brands in the industry. The head of a very big restaurant company said that there is only enough salary on the account to pay 3 months' salary. And small and medium-sized catering enterprises can not effectively cope with, had to avoid the risk by laying off staff, closing, suspending business [2].

2.3 Excessive Costs

The catering industry is a labor-intensive industry, with high investment and operation costs in the early stage and daily. Sudden suspension of business will lead to the rupture of capital chain of some enterprises, and they cannot repay loans, rent, water, labor, raw materials and other expenses. The Spring Festival holiday is generally the time when the customer flow of catering enterprises is the highest, and the inventory is relatively rich. More than 70% of the shops purchased vegetables, meat and spices for a few days or even more than ten days. Due to the sudden outbreak of the epidemic,

resulting in a surplus of stockpiled materials that cannot be sold or used, they can only allow meat to rot and deteriorate and vegetables to get damp and frozen, resulting in a large amount of wasted raw materials, which will be directly borne by the company in terms of cost loss.

In addition, with the increase of the closing time, the turnover fell to zero, and the problem of paying employees' wages became very serious. Many companies chose to stop paying salaries to reduce the burden. At the same time, raw material prices and transportation costs have risen, and the cost of procurement of epidemic prevention materials has increased. A large number of employees are restricted by returning home policy and can only stay in the dormitory if they cannot return home. Moreover, employees cannot go out and may not be able to obtain necessary food, daily necessities and other daily necessities. Therefore, enterprises need to fund and take responsibility for the safety and life of these employees. According to the statistics of China Cuisine Association, the average cost borne by each catering enterprise during the epidemic is shown in Table 1.

Table 1. Main costs and expenses of the average surveyed restaurant during the epidemic period (Unit: RMB million)

No.	Item	2020.1	2020.2	2020 Q1 (Estimated)
1	Loss of expired reserves	94	80	215
2	The rent	157	175	483
3	Labor cost	367	390	1059
4	Purchase cost of anti-epidemic materials	14	22	53
Total		632	667	1810

2.4 Single Mode and Poor Risk Resistance

Most catering enterprises have the problem of fixed and too simple operation mode. In-house income is the main source of income for catering enterprises. But such a structure is insufficient to protect against risks when market conditions deteriorate. According to the survey, 49% of catering enterprises did not open the takeout mode during the Spring Festival, and only a few large chain brands, such as McDonald's, Seabed, KFC, etc., with their brand advantages and independent distribution, innovate to increase revenue and weaken the impact of the epidemic.

3. Suggestions for Catering Enterprises

3.1 Actively Develop Online Business

During the outbreak, because the more prohibited eat-in, closed on the part of the small catering enterprises directly, the remaining in the business of catering enterprises can only rely on online delivery business eke out, service value of the delivery business and now, more than 60% of catering enterprises merchants said more than 50% of its operating income from the delivery, and even some merchants take-out accounted for more than 70% [3]. Catering enterprises, especially small and medium-sized catering enterprises, should reconfigure

resources, change business model, and make full use of takeout platform to carry out online business. The specific methods are as follows: First, develop we-media take-out mini program, establish direct contact with consumers, broaden its own sales channels, carry out diversified online marketing, and cultivate loyal customers of the enterprise; Enter the market in the form of retail, and establish their own channels, many catering enterprises on their own online shopping mall to sell their own production of semi-finished products. Data show that semi-finished vegetables are more popular than in previous years this year, and the sales amount of semi-finished vegetables increases by more than 50% on a weekly basis. With the standardization of food and beverage products, the maturity of fresh lock technology and the improvement of food delivery methods, the consistency of food taste is guaranteed, and the food and beverage industry begins to transform from a service industry to a "service + retail" industry. The gradual integration of the two may create a new development model.

Second, during the special period, the original menu should be adjusted appropriately, such as stopping the sale of complex dishes, designing reasonable packaging, and switching to dishes that are easier to distribute and more suitable for take-out. Some enterprises on their own products have been effectively extended, making semi-finished products.; Third, the original human resources should be allocated, and the original catering staff, such as order takers and waiters, should be transferred to the kitchen or takeaway service as far as possible, so as to improve delivery efficiency, increase takeaway orders during lunch and dinner peak periods, enhance self-delivery capacity and reduce the dependence of the outsourcing platform. Fourthly, during the epidemic period, catering shops basically stopped selling in-house food. In order to solve the problem of food material hoarding, some catering enterprises cooperated with the community to start food material retailing, which not only increased their income, but also provided convenience for the purchasing of community residents.

The emergence of the Internet has created the business model of e-commerce. Catering enterprises timely adjust their business strategies, carry out online development, and start cloud services to make up for the loss caused by the decrease of offline income. In addition, in the post-epidemic era, networking in the catering industry will become the norm, and take-out has successfully solved the development difficulties of catering enterprises. "Meituan Take-out" and "Hungry" are the most settled platforms in the catering industry. The platform has brought a lot of orders for catering enterprises, and also explored a new way for the marketing transformation of catering enterprises. In addition, in the post-epidemic era, people live at home and pay more attention to the Internet. We can find that during this period, online live broadcast sales of products has become a mainstream. Expanding product sales channels with the help of Internet influence can not only achieve sales share in a short time, but also reduce losses. In the era of Internet +, if catering

enterprises want to develop steadily in the long term, they need to increase their propaganda efforts, with the help of the Internet and multi-platform publicity. For example, WeChat public account, moments of friends, short video, live broadcast with goods, build their own Internet catering platform, realize the organic combination of online and offline [4].

3.2. Develop Capital Management Measures and Strengthen the Monitoring of Cash Flow

Through this epidemic, all major catering industries need to realize the importance of working capital management, and cash reserves play a decisive role in the survival of enterprises. Both large chains and small and medium-sized catering companies need to develop appropriate working capital management measures based on their cash flow situation, and develop more detailed cash flow plans during the epidemic [5]. Firstly, the daily income and expenditure should be reasonably forecasted, which can be refined from the original quarterly budget to the monthly budget, or even to the weekly budget; Secondly, on the premise of not destroying the cooperative relationship with suppliers, strive for more payment privileges and longer payment time for themselves, and try to shorten the transportation time of food materials, stabilize or reduce the cost of food materials procurement, and ensure the freshness and safety of food materials; Finally, when making cash flow budget, the financial department should not only pay attention to the data itself, but also reflect and discover the problems behind the data, so as to help catering enterprises maintain their advantages, reverse their disadvantages and find space for improvement.

3.3 Strengthen the Docking with Financial Institutions and Explore More Ways of Financing

The outbreak of the epidemic has led to an economic downturn, making catering enterprises face huge capital shortage pressure. Catering industry has the characteristics of small scale, high liquidity and substitution rate, and it is more difficult to obtain bank loans. In the special period of the epidemic, its business income plummeted, and for debt repayment carried an unprecedented huge pressure, it must make full use of policy support, strengthen the docking with financial institutions, and strive to obtain loan extension or renewal or even more financial support through communication and negotiation and application. Catering enterprises can obtain funds by means of financing, such as borrowing from creditors, shareholders and suppliers, with banks, Meituan and other life service e-commerce platforms, but also can sell equity, sell without fixed assets to increase the funds required for business operations.

At present, in addition to strengthening the docking with major financial institutions, take advantage of the preferential policies they offer, and apply for small loans or renewal loans through negotiation. The catering industry can also consider cooperating with other industries to carry out a series of joint activities to obtain multi-channel financing. Large restaurant chains can

consider co-branding with some beauty industry and clothing industry. For example, the catering industry can cooperate with the makeup industry to carry out simple decoration of the store, forming a makeup and catering theme pavilion to bring impact to consumers visually and creatively, which can both obtain investment from other industries and increase customer traffic. For some hot pot restaurants can consider cooperation with the clothing industry, customizing a limited number of co-branded apparel to enhance brand appeal by creating a buzz and gaining more financial support, effectively alleviating the problem of tight capital flow. This cross-border cooperation, it is easy to stimulate consumer awareness, while improving their own traffic, but also with the topic to enhance the influence of the brand, access to financing from other industries, effectively solving the problem of difficult business financing, a multi-benefit.

3.4 Cost Reduction

For restaurant companies, fewer customers means less staff is needed. In order to control the human resource cost, we can communicate with the staff, adjust the staff structure appropriately, lay off the staff in some departments and keep the necessary staff, and consider promoting intelligent application and "shared staff" to reduce the human resource cost. Labor cost has always accounted for a large proportion of the expenditure in the catering industry. In recent years, intelligent catering has been increasingly promoted, with intelligent ordering, self-service pick-up cabinets, and unmanned restaurants gradually being realized. After the epidemic, the catering industry can vigorously develop intelligent restaurants. Through intelligent ordering, the ordering process will be completed by customers scanning the code, and the order will be automatically transmitted to the back kitchen and service counter, the whole process can reduce the number of waiters and improve staff efficiency. The whole process can reduce the number of waiters and improve staff efficiency. It can also shorten the waiting and dining time of guests and increase the table-turning rate. For example, during the epidemic, Boxma Fresh Life reached cooperation with Yunhaichuan and Youth Restaurant: employees who are not working at home can work temporarily in Boxma's stores around the world. Such a way of "renting" employees has given a lead to other companies or industries. Other catering industries can also learn from it, and the supermarkets and the catering industry can work together perfectly to solve the problem of high labor costs in the catering industry.

3.5 Multiple Ways of Operation

After the epidemic, China's catering industry has suffered major losses and business confidence has suffered a major blow. The current national vigorously promote the "stall economy" for the catering industry may be a good opportunity. For large chain restaurant companies that already have a brand effect, you can use the stall economy to create mobile advertising. With the brand packaging a beautiful mobile food truck, the launch of the store's special snacks plus ice cream station model,

the different food trucks to different business districts, the brand pushed to the consumer's side, so that high-end restaurant brands into the lives of consumers, consumers can not only buy in the mobile food truck, more will taste after the store consumption, thus boosting sales. For snack catering, can use the ground stall economy to resume business, ground stall no rent pressure, no utilities pressure, low threshold for entrepreneurship, small risk, small investment, for the epidemic during the unemployment of snack catering as long as the craft is still there, with a mobile food truck and safe food hygiene guarantee, you can start a business. For some small catering industry with street stores, you can use the floor economy to create a comfortable consumer atmosphere, a few more tables outside the store, not only to provide customers with a casual, free service experience, but also a vibrant form of advertising to attract more consumers, increase business income and enhance industry confidence.

3.6 Seek Relevant Government Policy Support

Considering the plight of some enterprises' operation, the national and local governments have accordingly introduced a series of supportive policies, such as tax or interest reductions for small and medium-sized enterprises, rent, property, utility fee reductions, deferred payment of employee social security, increased financing support, reduced credit financing costs, relaxed loan conditions, simplified loan procedures and processes, shortened lending time and other policies to help the catering industry overcome difficulties. Catering enterprises should pay close attention to some preferential policies introduced by the national and local governments, and seize the opportunity to make applications for relevant support policies.

4. Inspiration and Reflection

4.1 Be Vigilant in Times of Peace and Maintain a Sense of Worry

The spread of this Coronavirus is a great test for catering enterprises, revealing many problems, and at the same time providing opportunities for them in the crisis. Catering enterprises should have a sense of worry, always be prepared to face challenges, try to take precautions before the arrival of the crisis, and do their best to reduce the losses of the enterprise. For catering companies, it is necessary to have a set of perfect epidemic prevention as well as health and safety mechanisms for food, service staff and consumers to avoid a bigger crisis [6].

At the same time, the epidemic period requires the boss to think more holistically and make more rational plans. When the restaurant stores gradually resume work, some loss-making stores should bear the pain and choose to strategically close the stores, which are strategically closed for the better advancement and development of the enterprise. Generally from the cash flow, operating profit, contribution to profit and several other indicators of comprehensive consideration. The store with negative cash flow needs blood transfusion from the headquarters, so the store should be closed, the store with negative

operating profit and contribution profit (the profit generated by the store itself) should be closed, if the contribution profit is positive, the store with negative operating profit is to be further observed.

4.2 Food Hygiene Issues Deserve Attention

The outbreak originated from the consumption of wild animals, which spread widely. The outbreak occurred in a seafood market, which is a crowded place, so it is clear that food safety is not in place, which can cause very dangerous consequences. Catering companies should pay more attention to this point, the procurement process of ingredients, production process, sales process should be strictly monitored, through legal channels to purchase raw materials supplies, reduce the supply of raw food and wild game varieties; to improve the standard of personnel engaged in the catering industry, the staff should be sanitized before starting work, and do diligent hand washing, disinfection, etc, do not save time and effort to ignore food hygiene issues, so that the store safety Management is standardized, standardized and normalized.

4.3 Learn to Innovate

Today, network sales have shown good prospects for development, catering enterprises should actively develop online sales, so that online and offline development of the industry chain. Catering enterprises sticking to the original path of development and relying only on offline customer flow will lose a lot of profits. Catering companies should keep in mind that they should produce on demand, innovate and develop their business in accordance with customers' consumption needs, and improve their service consciousness [7].

At the same time, in order to let the store operation level return to the pre-epidemic level as soon as possible, so that consumers can resume the dining out habit as soon as possible, so that customers like to dine in stores more, which requires catering store operators to increase the unique added value of stores, so that consumers deeply experience to feel the difference between stores and takeaways. Catering stores can be created from the decoration of the store, the atmosphere design of the store, the warm service of the staff, the freshness and taste of the products, etc.

4.4 The Development of Catering Enterprises cannot be Separated from the Government's Support

The government usually takes action when the market fails to play an effective role. The epidemic was an unforeseen accident that led to the disorder of the market, when the government needs to intervene through political

means to prevent the economy from getting out of control. Take measures that are in line with market conditions to minimize losses. For the catering business, there are still uncertainties in its future development. In this epidemic, the government intervened to provide help in rent, tax and loans, which reduced the pressure on the development of the catering business and also provided time for its subsequent development. It can be seen that the government's support has provided a greater convenience to the recovery of the catering business and its existence as an "invisible hand".

5. Summary

There is no denying that the sudden outbreak of the new crown epidemic has brought a huge blow and incalculable loss to the catering industry, but with the control and end of the epidemic, we will regain confidence to continue.

As a pillar service industry in China, the catering industry can only adapt to the changes in market demand in order not to be eliminated and develop healthily in the fierce struggle. We believe that after the epidemic is over, the catering industry will be able to get back on track and continue to develop with high quality and a promising future.

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