



CATERING CHAIN INFOTECH BUSINESS

BY

MIAN WANG

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION (INTERNATIONAL PROGRAM)  
SOUTHEAST ASIA UNIVERSITY  
ACADEMIC YEAR 2022  
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**Author** Mian Wang  
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**Advisor(s)** Assoc.Prof. Chuta Thianthai, Ph.D.

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### ABSTRACT

From the big data of hot pot industry in recent years, we can see that catering industry plays a core role in domestic GDP and has become the second pillar industry in China. The hot pot category is 22% of the market share, won the title of "the first national food", and for many years with a 10.2% growth rate to become the focus of investment and financing in the catering industry! Industry leader Haidilao of a number of plate companies listed on the market capitalization, but also officially opened the hot pot industry enterprise listing curtain. In the future, more new listed enterprises with a market value of 10 billion will emerge in this industry. However, in this traditional industry with Chinese culture, most enterprises are in the stage of low value creation, the core value and core competitiveness of enterprises and brands are very weak, and there is still a big gap with international restaurant chain brands. How to establish a high degree of standardization, core competitiveness of the efficient operation system, has become a breakthrough in this industry.

**Keyword:** Pillar Industry, Hot Pot, Catering Industry, Core Competitiveness, Supply Chain

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Mian Wang

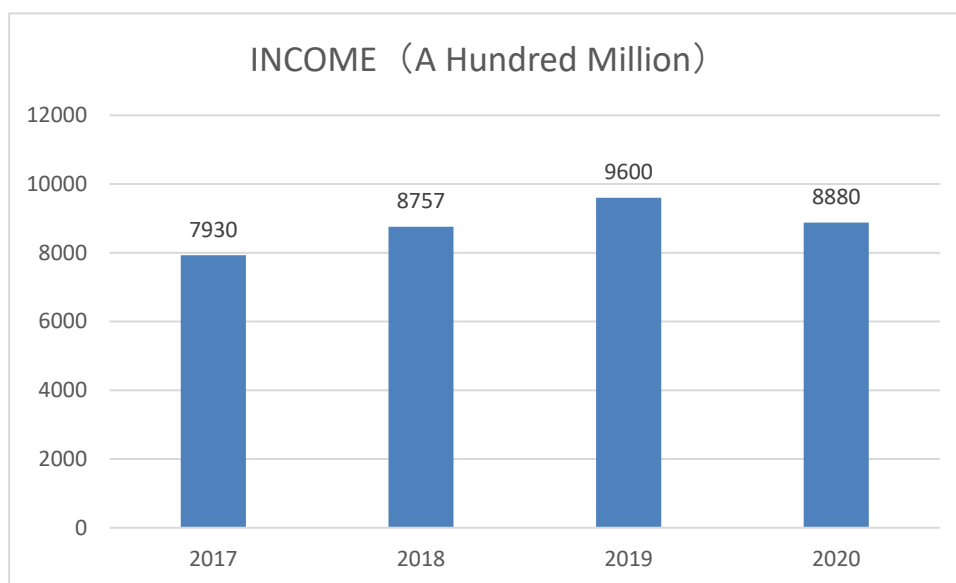
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## SECTION 1

### EXECUTIVE SUMMARY

#### 1.1 Industry Analysis



Since the reform and opening up, with the maturity of the market economy, people's living standards are constantly improving, and the catering industry has begun to walk into everyone's life, among which development with hot pot industry is particularly rapid and prominent. With China's economic strength about continuous enhancement, the continuous improvement about residents' income level and acceleration of urbanization, the people's consumption concept and lifestyle are also being changed to become a refined and quality life. As a catering form suitable of various consumption levels, hot pot is going to become an important part of popular catering with characteristics of simplicity, quickness, economy and nutrition. It can meet the different needs of all kinds of consumers and has enough consumer groups. It is accepted and loved by consumers because of convenience and popularity. And at the same time, the largest category in the catering segment, the totally revenue of China's hot pot industry continued to grow in 2017-2019. Affected by the epidemic, the revenue in 2020 dropped to 888 billion yuan. As the situation of epidemic prevention and control continues to improve,

residents' living order continues to recover, and wholesale, retail, accommodation and catering enterprises resume business and market steadily. Driven by a number of policies, such as the implementation of the strategy of expanding domestic demand and promoting the consumption of key commodities, the domestic catering revenue has continued to rise. As the saying goes, food is paramount to the people. China's catering market is huge, but it still has a large room for growth. Catering consumption is going to become an important force in domestic consumer market.

## 1.2 Market Analysis

Hot pot is recognized an original Chinese cuisine with long history, hot pot is a kind of food suitable for all ages. In this years, Chinese hot pot industry has grown steadily. In 2019, 93,994 hot pot enterprises were newly established nationwide, market size has reached 518.8 billion yuan; In 2020, affected by the epidemic, scale of hot pot market declined,, the number of newly established enterprises dropped to 80,019,the market scale dropped to 438 billion yuan. However, with the rapid expansion of hot pot enterprises, there are also some blind operations, and the failure rate of hot pot enterprises remains high. According to the data of some Media, it is said that half of hot pot catering enterprises in our China can't live for five years, about 30% of them fail within 2 years. With the rapid development of hot pot industry, consumer demand has also changed in many ways. Some consumers like to eat hot pot at home in order to save time and make it convenient.

According to the data, in the first half of 2021, there has 49.3% of consumers in China eat hot pot at home, the proportion of consumers in fourth-tier cities and other areas who prefer to eat hot pot at home reaches 59.6%.

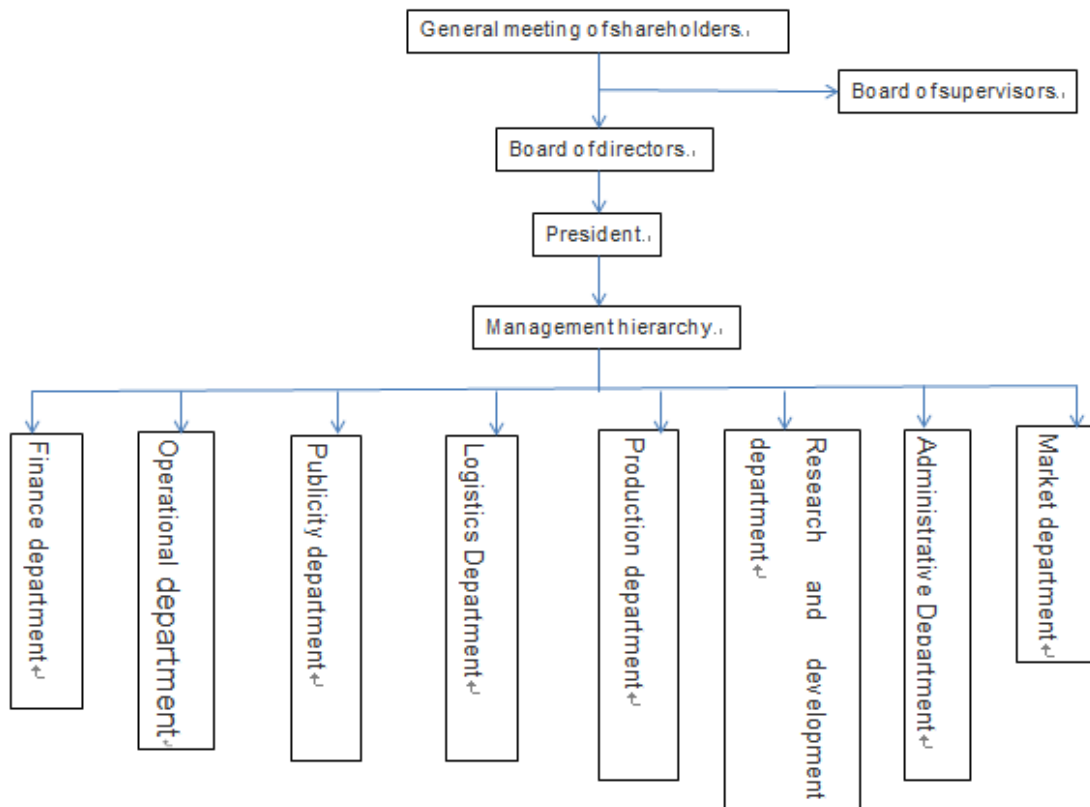
Who prefer to eat hot pot at home, hot pot take-out is going to become a good solution, we think the new market of hot pot take-out has emerged as the times require. According to the survey data, at present, 57% of consumers in our China have tried hot pot take-out now; Among the consumers who haven't tried the hot pot take-out, about 78% said that they may intend to try hot pot take-out in the future.

With the rise of hot pot take-out concept in recent years, many enterprises have entered this market. Enterprises including traditional hot pot giants Haidilao, Xiabu Xiabu, Dezhuang, etc., knockout lang who specializes in hot pot take-out, and fresh platform Box Horse Fresh, etc. are actively arranging the hot pot take-out market, and China's hot pot take-out market will get a certain development. Take Haidilao, the leader of hot pot, as an example. The hot pot take-out business revenue increase rapidly in 2015-2020, and its revenue scale reached 719 million yuan in 2020,, a year-on-year increase of 59.9%.

### **1.3 Marketing Plan**

(1) Product Strategy. Including product mix strategy, packaging strategy and new product development strategy. (2) Pricing Strategy. Including liposuction pricing strategy, penetration pricing strategy, satisfaction pricing strategy and psychological pricing strategy. (3) Channel Strategy. Direct sales: ordering, exclusive shops, exhibitions, joint sales and indirect sales. Wholesalers: professional wholesalers, comprehensive wholesalers, multifunctional wholesalers, industrial wholesalers and so on. Retailers: department store, specialty store, supermarkets, convenience store, discount store, warehouse outlets, sample stores, retail outlets without stores (telephone, direct mail, online stores, TV shopping malls), vending machines. Sales organizations: chain stores, consumer cooperatives (membership-based consumer organizations), franchised stores and entrusted trading markets. (4) Promotion Policy. Give reasonable profit and discount, give special care in the transaction, compete for extra bonus, cooperative advertising subsidy and exhibition subsidy, financial assistance for interior and exterior decoration of the dealership, give technical support, handle financial analysis and arket analysis, jointly plan marketing objectives, train sales staff, coupon, contest or lottery, increase the price without increasing the price, offer preferential treatment at the collection point, and reduce the price for promotion.

## 1.4 Operations and Production Plan



The quantitative management method is a method of management by studying the quantitative relationship of management objects, following the stipulation of their quantity, and using the quantitative relationship. In order to make as little investment as possible and achieve as many effective results as possible, the business activities of restaurants should have not only qualitative requirements but also quantitative analysis. No matter the quality standard, or the use of fund, material management and personnel organization, there should be quantitative standards. It should be said that using the quantitative method to manage business activities generally has the advantages of accuracy, reliability, economy and practicality, and it can reflect the essences. The system management method is method to control restaurant business activities through the formulation and implementation of the system. The "emotion management" methods is actually a method to control people's need, motivations and behaviors.. It is a method to

achieve the expected goal by studying and guiding employees' thought, emotion, hobbies, wishes, needs, social relationship, and giving them the necessary satisfactions.

## 1.6 Financial Projections

Revenue forecast: Forecast and estimate the main business income of hot pot restaurant, including catering, drinks, etc. Forecast: forecast and estimate utilities, store rent, financial expenses, management expenses, sales expenses, employee salaries, taxes and fees, etc. Profit forecast: calculate the profit statement according to the audit relationship of accounting statements. Cash flow forecast: look at the company's specific cash flow from three aspects: operation, investment and financing.

1. The cost in initial stage mainly include: the rental cost of the site (30,000), the application cost of food and beverage hygiene license (600), the site decoration cost (5,000), the purchase cost of kitchen utensils (1,000), the basic facilities cost (5,000), etc. 2. The cost in the operation phase mainly includes: employee salary, material purchase cost, site rental cost, tax, water and electricity fuel cost, fixed capital, depreciation cost, miscellaneous expenses, etc. 3. Daily operating financial budget and analysis According to the budget analysis and investigation, the market capacity can be preliminarily determined, and it is roughly estimated that the total daily turnover is about 1500 yuan, the profit rate is 30%, and the gross profit is 500 yuan. It can be calculated that the payback period of investment is about one month.

## 1.7 Summary

Up to now, Sichuan's hotpot has shown diversified characteristics in terms of its variety, grade, scale, production, blending and flavor, which has led to the rapid development of various enterprises engaged in the production and consumption of hotpot, and also aroused great enthusiasm and interest of enterprises and operators engaged in and about to invest in the production of hotpot. However, how to open

an authentic Sichuan hot pot restaurant is a lot of knowledge. As a hot pot restaurant, its basic characteristics have something in common with other catering enterprises, that is, the integration of productions, sales, services and consumptions. Investors who want to engage in hot pot industry must do a good job in market research, so they may know what kind of hot pot people need, and know the flavors, characteristics, ways, places, crowd and other information, also set up characteristic the all-hot pot restaurants in specific markets areas, to obtain stable and reliable market share. Therefore, doing a good job of markets research in the early stages are premise of making decisions or investing in the hot pot restaurants. Because the hot pot restaurants are all often full of guests, fast and good service is necessary. From taking a seat, ordering food, delivering food, teaching how to eat, sorting out, checking out to seeing off guests, etc. when guests enter the door, they should not be careless at all. Among them, the teaching method of eating is the most special place. Because the most attractive delicacies of each hot pot restaurant are different, the method of eating will be different. At this time, the waiter personally teaches them, which not only helps the guests, but also deepens their impression of this hot pot restaurant.

## SECTION 2

### COMPANY DESCRIPTION

#### 2.1 Company description

PICK UP TWO SETS (CHENGDU) CATERING CHAIN MDT INFOTECH LTD was established in June 2021, is a hot pot creative concept food science and technology company, founded one year, only through market research, to open retail stores, the product research and development, and continuously upgrade, dreams of catering for all entrepreneurs, create a WanZhengHua, systematic, simplification, unification, Mutual benefit platform.

#### 2.2 Company history

This is a newly founded company with no long history and culture.

#### 2.3 Missions statement

Provide users with new hot pot scenes and beautiful lifestyles, and provide entrepreneurs with Easy, efficient and high survival rate entrepreneurial experience, becoming a user and entrepreneur. The trusted first catering brand.

#### 2.4 Products and services

Create differentiated products. Differentiation refers to creating the particularity of products, striving to be quite different from existing products, and effectively distinguishing them from similar products. When we pursue this differentiation, we must first consider how to open the gap with our past selves. As the saying goes, natural selection and survival of the fittest. Unpredictable, it is already the background of this era, and all walks of life are undergoing great changes quietly. The traditional industrial development model is no longer applicable, and if it is not adjusted and changed in time, it will inevitably be eliminated. Take the hot pot industry as an example, all kinds of online celebrity hot pots emerge in an endless

stream, which cannot be innovated in time and provide differentiated products and services, and can only be slapped on the beach by the waves.

Create a cultural hot pot experience scene with the aesthetics of the Republic of China and a new way to pursue a better life for users, and change the traditional cognition that "mom-and-pop shops" and "street shops" only pay attention to the taste, do not attach importance to product hygiene and safety, and do not attach importance to brand culture construction and image; Provide a complete set of business models and systematic solutions for small and micro hot pot entrepreneurs, get rid of the traditional business model of joining, and realize a new win-win business relationship; Create a brand-new ecological circle for the upstream and downstream industrial chain.

## **2.5 Current status**

Our professional team with many years of experience to work tirelessly to provide customers with quality service and strong profits. The core members of the team will be motivated to pursue excellent products and services for customers and implement brand management.

## **2.6 Legal status and ownership**

In the next 3-5 years, we will realize the brand scale of "100 Cities and 1000 Stores", realize the financial indicators of 3 billion revenue and 500 million net profit, realize tens of millions of user data, and complete the commercial value of "Small and Micro Hot Pot Entrepreneurship Technology Leading Enterprise"

## SECTION 3

### INDUSTRY ANALYSIS

#### 3.1 SWOT Analysis, Total Factors Analysis Summary. (TFAS)

##### (A) Advantages (S)

1. Clear positioning (mid-to-high-end positioning), which has market vacancies in central cities; 2. Parking is convenient and safe (there are many parking spaces in an open environment, which provides convenience for the majority of car owners, and special security guards are on duty to ensure the safety of vehicles); 3. The overall geographical location is superior (close to the square and hub station and then to the surrounding residential areas, which is the only large-scale and elegant hot pot restaurant with consumption environment).

##### (B) Disadvantages (W)

1. Because it is located near the school and there are many small restaurants, the grade of the business district is reduced; 2. The location is far from densely populated areas, so it is troublesome to eat hot pot here; 3. Insufficient publicity of featured products; 4. Insufficient training of service personnel; 5. The hot weather in summer hinders some people's hot pot consumption to some extent.

##### (C) Opportunity (O)

1. There are only a handful of middle and high-grade hot pot restaurants in downtown, and the market vacancy is obvious; 2. Having a large potential customer base is conducive to long-term development; 3. The construction of roads in the future will drive the development of this area.

##### (D) Threats (T)

1. The surrounding real estate will not be occupied in the short term; 2. The location is far from densely populated areas, so it is difficult for consumers to know here.

### 3.2 Five Forces Model



#### 1. The bargaining power of suppliers

Hot pot industry, as a catering industry, is mainly made of fruits and vegetables, meat, aquatic products, oil, seasonings, etc. As far as ingredients are concerned, the source of ingredients in each store is generally the morning market or the agreement with the farmer's market. According to the field investigation, the types and quantities of raw materials are in sufficient supply, and the prices are reasonable and relatively stable, because the threat of food suppliers is not obvious, but the price increase of products caused by various factors such as season, traffic, freight and middlemen cannot be ruled out. In terms of rent, the selected address is located near schools and commercial streets. As it is close to consumers, the rent is generally high, and there are many competitors, so it is more likely that the lessor will increase the rent, and there is potential competition from the lessor, which poses a certain threat to the long-term operation.

## 2. Bargaining power of customers

Bargaining ability, purchase scale, mastery of information, brand recognition, price sensitivity, backward integration, concentration of buyers in the industry, choice of substitutes, and encouragement system such as government subsidies.

## 3. The threat of potential entrants

New concepts, new ideas and the establishment of brand culture.

## 4. The threat of substitutes

We know as a part of hot pot catering, will catering brands are all-encompassing, the part of hot pot industry is facing strong product substitution effect. Hotpot-based hot pot enterprises are faced with several competitive challenges, such as the competition of hot pot varieties, hot pot in different regions and other catering industries.

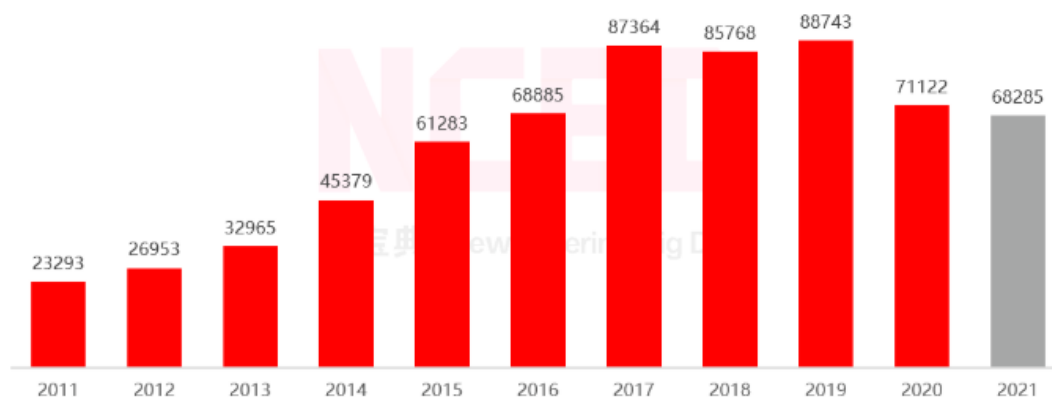
## 5. Competition among existing competitors in the industry

The interests of enterprises in large local industries are closely linked with each other. As a part of the overall enterprise strategy, each enterprise's competitive strategy aims at making its own enterprise gain an advantage over its competitors. Therefore, conflicts and confrontations will inevitably occur in its implementation, and these conflicts and confrontations constitute the competition among existing enterprises. The competition among the existing hot pot industries is often manifested in price, product introduction, service quality, dining environment and so on.

### **3.3 Industry size, growth rate, and sales projections**

In 2022, China's hot pot market is expected to exceed 1,000 billion yuan, and by 2025, it is expected to be close to 1,300 billion yuan.

The distribution of the number of hot pot establishments in China from 2011 to 2021 is shown in the following figure.



By the first half of 2021, the chain rate about hot pot in China was 28%; Among them, chain rate of Sichuan hot pot is also higher than the average, reaching 32%, while that of Guangdong hotpot is only 22.3%.

In terms of the number of stores, Sichuan-Chongqing hotpot has the largest number, accounting for 40%, Beipai hotpot accounts for 14%, and Cantonese hotpot accounts for 11.8%.

In terms of per capita consumption, the per capita consumption of hot pot in first-tier cities is as high as that in 94 yuan, much higher than that in other cities; The per capita consumption of hot pot in new first-tier cities is close to that in second-tier cities; Other cities are less than 60 yuan per capita.

From the customer unit price, the hot pot below 90 yuan is the mainstream; 2.6% of hot pot restaurant customers' unit price is between 90-120 yuan; The "high-end" hot pot restaurants with unit price above 120-yuan account for 4.5%.

By the end of December 2021, there were 395,000 hot pot enterprises in China, of which Sichuan was the most, accounting for 12.4%; The number of hot pot enterprises in TOP5 provinces accounts for 40% of the country.

There are more than 30,000 hot pot stores in Chongqing, ranking first in the country; The second place is Chengdu, with 24,000 stores; In addition, there are more than 10,000 hot pot stores in Beijing and Xi 'an.

Among the 10 hot pot brand with largest number of stores,, Sichuan or Chongqing hot pot occupies 8 seats, they are the absolute main force; and although Chaoshan beef hotpots is popular in Guangzhou and other places,, the number of stores are still relatively small.

From the perspective of customer unit price distribution, hot pot brands below 120 yuan occupy the mainstream; Some brands located between 120-200 yuan are also sought after by many consumers because of their unique hot pot consumption experience.

### **3.4 Industry structure**

Hot pot has the largest market share in Chinese catering market. There are many kinds of Chinese dishes in China's market, and regional cuisines have their own special colors, which are extremely rich; Hot pot has the largest market share in the Chinese catering market, accounting for 14.1% according to the revenue in 2020, followed by Sichuan cuisine, Guangdong cuisine and Jiangsu and Zhejiang cuisine, with market shares of 13.7%, 9.9% and 7.3% respectively.

From 2016 to 2020, the share of hot pot in all Chinese food market segments is rising, and the market share of Chinese food by income will reach 14.1% in 2020, which is the largest share in all market segments; The total revenue of the hot pot market increased from 395.5 billion yuan in 2016 to 518.8 billion yuan in 2019, with a compound annual growth rate of 9.5%. Affected by the COVID-19 epidemic, the revenue of the hot pot market decreased to 438 billion yuan in 2020, with a year-on-year growth rate of -15.57%, which was lower than the overall growth rate of the food and beverage market, indicating that the restrictions imposed by the epidemic on the dining room had a great impact on the hot pot market. As the most popular category for dining out, with the gradual liberalization of dining out, the hot pot market will become one of the fastest rebounding market segments.

### **3.5 Nature of participants**

In recent years, women have gradually become the decision makers of household consumption. From household goods to daily meal consumption, they are all dominated by women, and hot pot, which is the main category of catering industry, is naturally influenced by "her economy". Moreover, among the number of diners in the hot pot industry, it can be found that the number of female customers

is far higher than that of men. Therefore, in the operation process of chain hot pot restaurants, female consumers are also the main force of consumption. Hot pot shops need to consider the hobbies of female consumers in the process of operation. When investigating the consumption of hot pot restaurants, age is also one of the most important factors, besides gender. According to the survey, more than 80% of the consumption of hot pot restaurants in the market is completed after 1980s and 1990s. Therefore, 1980s and 1990s have become the main consumption force of chain hot pot restaurants. Therefore, when opening a hot pot restaurant, it is very important to grasp the attention of this part of customers. This also requires that the decoration of hot pot restaurants should be mainly young. Among the consumers of chain hot pot restaurants, college students are also one of the main forces. There are many dinners in universities, because there is a big difference in diet caused by different living habits. Therefore, hot pot restaurants are often chosen during dinners. It is precisely because of this that the consumption of college students in chain hot pot restaurants is relatively high. This also requires entrepreneurs who want to start a business through chain hot pot restaurants to take into account the needs of college students, which will bring good development to hot pot restaurants.

### **3.6 Key success factors**

1. The core competitiveness of hot pot restaurants-the taste of hot pot the most important thing in a hot pot restaurant is the taste of hot pot. Only when the taste satisfies the customers can the hot pot restaurant be full of vitality. If hot pot restaurants don't have their own flavor, and customers just fill their stomachs after eating, then this hot pot restaurant won't last long. That's why hot pot restaurant managers are willing to pay for hot pot chefs. Besides the factors of the dishes themselves, the taste of hot pot is mainly determined by the base material, soup and dipping dish. Of course, the headquarters usually prepares the base material of hot pot for franchisees, and franchisees generally can't make their own ingredients. Even so, we can still do enough articles on hot pot side dishes, dipping sauce and

service, so that customers can taste the different flavors and characteristics of our shop.

2. Purchase of raw materials for hot pot There is a saying in the industry that "money is everywhere, holes are everywhere", which means that seemingly inconspicuous materials such as waste paper boards, wine bottles, bottle caps, etc. in the operation of a hot pot restaurant can be exchanged for money; However, every link of hot pot, including purchasing, ingredients, seasoning, etc., is wasted, which will lead to the profitability of hot pot restaurants. Such problems are still difficult to find, but there is always a phenomenon of "hot business and insufficient profit". Purchasing raw materials is an important part in the management of the hot pot and even the whole catering industry, which directly affects the operating costs. Usually, it's suggested that hot pot restaurant operators should be responsible for purchasing at the beginning of business, so as to know that price of dishes and raw materials, markets conditions, quality and so on. Maybe only in this way can the purchasing cost be effectively controlled. For example, squid has different quality and quantity from different manufacturers, which directly affects the tastes of customers. Only by knowing as something about squid markets can we make a correct purchasing decision. Nowadays, many purchasing staffs are employed by relatives or cronies of the boss. In facts, if there are some good managements system and methods, another person can be selected.

3. Special products of the hot pot restaurants. The taste of hot pot restaurants does not change for a long time, but the specialty products are definitely changing with different seasons. Under the premises of the ensuring tastes, almost all successfully hot pot restaurants have its own specialty products. Whether the specialty products are hard or not directly affects the reputation and profit rate of hot pots. Sometimes, diners will go for specialty products. However, specialty products aren't available at the beginning, and also need long-term cultivations and developments. Therefore, it's necessary to increase the research and development of new products by in-house chefs.

4. Cost control is the guarantee for the long-term development of hot pot. And cost-effectiveness are always the two most concerned issues. Hot pot restaurant rent, raw material procurement, water and electricity heating, staff

salaries, taxes, advertising expenses, etc. are all required by daily expenses, and expenditures are unavoidable. So, it is necessary to make records in daily life and make clear where every expenditure goes. Or calculate that proportion of expenditure according to business performance every months and every weeks, it gets the profit and benefit of hot pot restaurants, and also adjusts the expenditure according to the result. Miscellaneous expenses such as office, transportation and maintenance should be minimized; Waiters should also develop the habit of saving. When guests leave the table, they should turn off the gas and air conditioner as soon as possible. At the time of publicity, we should also make a good plan in advance, and choose appropriate media means to conduct positive publicity, so as to achieve the purpose of reducing waste and saving expenses.

5. Personnel management Hot pot restaurants can't avoid the management of employees, but this is also a problem that many hot pot restaurants are facing now. Many bosses are influenced by traditional ideas, and the management of employees is always inadequate, leaving their jobs is very serious, and they always can't leave their old employees. (1) solve the accommodation problem of employees, but also make them live in a better quality. After the accommodation is solved, employees will feel at home, and they can devote themselves to their daily work with 100% enthusiasm. When they get back to the room, they can get a full rest. (2) Under good rules and regulations, set up an encouragement and reward mechanism, and reward outstanding employees with materials and other aspects to keep them enthusiastic in their work.

### **3.7 Industry trends**

1. In China's catering industry, hot pot is still the largest and more promising category. The "contraction" of Haidilao and Xiabu Xiabu listed companies is more a matter of their own strategies and internal management than the whole hot pot category. 2. With the IPO of Guangdong hotpot brand "Lao Wang" and seafood hotpot brand "Qi Xin Tian", some special hotpot categories that were originally out of the mainstream have the opportunity to appear on the market, such as beef

hotpot, chicken coconut and other fields. In the future, there will also be listed companies.

3. Consumption experience is the development direction of hot pot category innovation. For example, Jiumaojiu's Mink Hot Pot and Zhang Zhenwei's Thank You Pot have made bold and innovative attempts in user experience; In pursuit of experience, these brands sacrificed the turnover rate, and at the same time tried to raise the customer unit price to increase profits.

4. With the development of catering retailing, the retailing trend of hot pot enterprises is obvious, and some head brands have increased their retail business, such as Haidilao, Xiaolongkan, Chaotianmen and other enterprises, which have made certain achievements in retailing.

5. The competition of small hot pot has intensified. Different from the consumption scene of dinner, small hot pot has obvious fast-food attributes, which can more conveniently meet the consumption demand of fast-food hot pot, so some small hot pot brands appear; At the same time, some large hot pot enterprises also actively participate in the incubation of small hot pots, such as Banu and Dezhuang. In addition, Yoshinoya, a Japanese fast food brand, also aimed at the small hot pot competition, trying to get a piece of it; Xiabu Xiabu also announced that it will return to the mass market.

6. The heat of self-heating hot pot drops. In 2021, consumers' enthusiasm for self-heating hot pot has decreased, and some self-heating hot pot start-up brands have begun to expand other products and product lines. The hidden dangers of food safety exposed by the media have also brought adverse effects to the development of self-heating hot pot market. In addition, the decrease of consumers' freshness and repurchase rate is also an important reason.

7. In recent years, food safety problems of hot pot brands have occurred frequently. Through the exposure of short video platforms, food safety problems of enterprises are more likely to spread, be amplified and cause harm to brands. Food safety is still the biggest challenge for all brands, and it needs high attention.

### 3.8 Long-term prospects

The future development should be in the following aspects.

#### 1. Datamation

With the advent of the era of big data, these seemingly basic small programs, such as selling meals outside, mobile payment and queuing for orders, have brought great convenience to customers. The establishment of terminal database is also essential. For example, the import of raw materials, the analysis of customers' preferences and the convenient calculation of profits will make the store have a real repurchase rate and increase the popularity of the store, thus attracting new customers.

#### 2. Diversification

Since ancient times, the demand of customers has changed from satiety to good food and then to good service. How to improve the service of hot pot restaurants? That is to carry out diversified development. Basic small tables should naturally be maintained, but at the same time, hot pot boxes and other facilities should be developed to meet people's diversified needs.

#### 3. Intelligentize

At the same time of today's economic development, it also causes the problems of rising labor costs and difficult cost control. And unmanned restaurants and smart restaurants have opened a door for the hot pot industry. Because the hot pot industry doesn't need much technology, advanced intelligent machines can provide customers with perfect services. Therefore, process, scale, precision and intelligence are the future development goals of hot pot industry.

#### 4. Health

People's concept of food and beverage consumption is gradually changing, and nutrition and health have become more and more important issues. How to make food healthy while keeping delicious will be the focus of hot pot enterprises in the future.

## SECTION 4

### MARKETING PLAN

#### 4.1 Overall marketing strategy

Hot pot is a low-threshold industry that most people find it difficult to create new ideas. We should make ourselves stand out from competitors. Marketing strategy includes product strategy, pricing strategy, distribution strategy and promotion strategy.

In the marketing process of enterprises, 4P has great influence in this process. The 4ps in the concept of marketing mix are product, price, place and promotion. These 4Ps (product, price, place, promotion) are the controllable factors in the marketing process, and also the main means for enterprises to carry out marketing activities. Their specific application forms the marketing strategy of enterprises; How well they are used will also have a profound impact on the future destiny of enterprises.

#### 4.2 Product, price, promotions, and distribution

1. Product strategy: There are many kinds of dishes with high quality and low price. We need different kinds of pot bottoms to cater to different consumer groups. We can set the price at 49-100 yuan. Seasonings can also be matched and combined with various ingredients to meet the tastes of people in various regions and countries.

2. Pricing strategy: The price of dishes is medium and high, ranging from 15-40, and the price of pot bottom ranges from 49-100 yuan. The self-selected seasoning is randomly selected at a fixed price per person, and the self-selected beverage can be freely drunk at a fixed price.

3. Distribution strategy: At the beginning of the period, you can try to enter the market from the direct mode, and open your own branches in the whole country and even other countries in the world, instead of joining. In addition, several

large-scale logistics distribution bases are specially set up, which can be set up in relatively central cities and centers with dense consumer population, with the aim of "purchasing on a large scale, mechanization of production, standardization of storage and modernization of distribution" to form a large-scale logistics supply system integrating procurement, processing, storage and distribution. In addition, there is online ordering business, which can develop Baiji's channel through the network to attract more customers.

4. Promotion strategy: Chain chafing dish must be passed on by customers' word of mouth. Rely on the recommendation of friends and colleagues to occupy a certain market. After the recommendation of acquaintances, you will feel more at ease and be more loyal. Each store can have a waiting area with a certain area. Besides comfortable sofas, tables and chairs, some free small services such as internet access can be provided. In summer, you can send free drinks such as herbal tea and sour plum juice to pedestrians in commercial streets with large traffic, and in winter, you can send free warm drinks to pedestrians in commercial streets with large traffic, so as to promote your popularity and enhance your image. All regular customers enjoy certain discounts, and in the long run, they are more willing to eat here. When customers encounter quality problems or service dissatisfaction with the dishes or the bottom of the pot, they can give some appropriate discounts according to the situation, such as giving away dishes, changing the bottom of the pot for free, giving corresponding discounts or even exempting orders, so as to ensure the customer satisfaction rate.

### **4.3 Sales process (or cycle).**

The sales situation and profitability of a product in the markets aren't static, but changing with the passage of time. This change has experienced the birth, growth, maturity and decline of a product, just like the life courses of living things, so it's called product life cycle. Product life cycle is the process of market life cycle experienced by products from entering the markets to exiting the markets. Entering and exiting the market marks the beginning and end of cycle. Every food and

beverage product experiences 4 life cycles, including investment period, growth period, maturity period and decline period.

When the product is put into the markets, it enters the investment period. At that time, customers do not know about the products. Excepted for a few customers who pursue novelty, maybe few people will directly choose to enter this store for experience. At this stage, in addition to the small production batch, high manufacturing costs, high advertising costs, high product sales price and extremely limited sales volume, enterprises usually can't make a profit. When the product enters the introduction period and the sales are successful, it enters the growth period. This is the stage of demand growth, with the demand and sales rising rapidly, the production cost dropping sharply, and the profit increasing rapidly. The mature period is characterized by the slow growth rate of product sales, even stagnation or decline. After the profit of the product reaches the maximum, it drops slowly, the market competition becomes more intense, and the price wars and advertising wars among enterprises emerge one after another. At this stage, the product lasts the longest, and most products are mature products. A recession is characterized by a sharp drop in sales and profits, with old products gradually withdrawing from the market and new products or substitutes entering the market. Maybe the recession is slow, maybe it is rapid; Sales may drop to zero, or they may remain at a low level for many years.

#### **4.4 Sale statics**

According to the different four cycles, our sales strategy should be adjusted accordingly.

In the investment period, there are usually four product strategy combinations: high price promotion, high price promotion, low price promotion, low price promotion and low-price promotion. During the investment period, when enterprises formulate corresponding product strategies, they must take into account the scale of products put into the market, that is, whether the products are put into the overall market, regional market or gradually enter according to the segmented

market.

During the introduction period, it is necessary to increase the competitiveness of products. By improving product quality, increasing product features and styles, and strengthening product brand publicity. Advertisements range from "introducing products" to "building product images", persuading consumers to accept and consume products, creating preferences for products and opening up new markets. Actively explore new market segments, and when the time is right, quickly expand product sales channels, increase product sales opportunities and expand sales outlets.

When the product is in the mature stage, the operators of enterprises should assess the situation according to the external environment and internal conditions, formulate and apply appropriate product strategies, so as to prolong this stage and gain more profits. There are: reforming market strategy, reforming product strategy and reforming marketing mix strategy.

In the recession period, we can adopt centralized strategy, harvesting strategy and abandonment strategy. Among them, the concentration strategy is to shorten the product marketing front, concentrate the talents, material resources and financial resources of the enterprise on the market segment with the greatest advantage, reduce the business scale relatively, and strive to obtain more profits. The harvesting strategy is to maintain a certain production capacity of this product, cut the promotion expenses such as advertising, reduce the scope and scale of chain stores, and ensure the immediate interests of chain stores with stable turnover and passenger flow. The abandonment strategy is to give up decisively after accurate judgment and making sure that the product can't bring benefits to the enterprise.

## SECTION 5

### MANAGEMENT TEAM AND COMPANY STRUCTURE

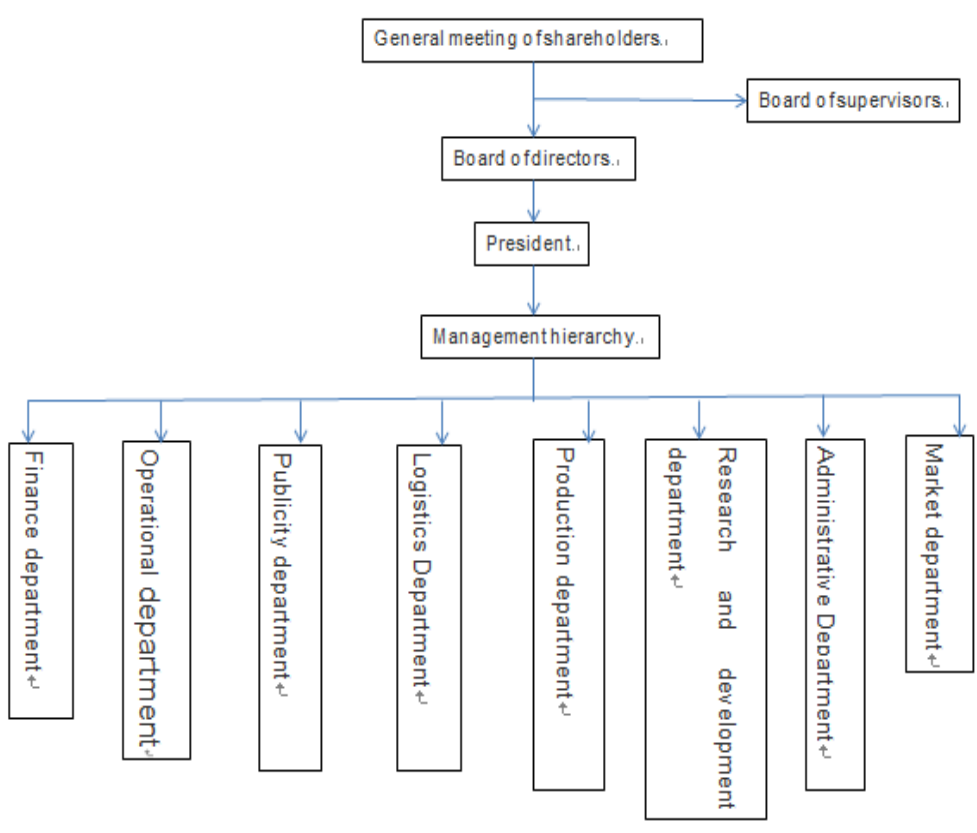
#### 5.1 Management team

In order to ensure the normal operation of the company and make decisions, the company has its own management team, which includes the shareholders' meeting, the board of supervisors, the board of directors, the chairman of the board, and the management of various departments.

#### 5.2 Board of directors (Board of advisers).

The board of directors is a business executive organ established according to the relevant laws, administrative regulations and policies and the articles of association of the company or enterprise and composed of all directors. The board of directors is the executive body of the company, which is in charge of the company's affairs internally and represents the company's business decisions externally. The company has a board of directors, which is elected by the shareholders' meeting. The board of directors shall have one chairman and several vice-chairmen, who shall be elected by the board of directors. A director's term of office is three years, and he may be re-elected at the end of his term. Before the expiration of the term of office of a director, the shareholders' meeting shall not dismiss him without reason. Members of the board of directors shall have representatives of the employees of the company, and the method for its formation shall be stipulated in the Articles of Association. The chairman is the legal representative of the company, and the board of directors is responsible to the shareholders. When the board of directors of a company deliberates, it shall have corresponding procedural rules, define the rights and obligations of directors, exercise their rights correctly and safeguard the interests of the company.

### 5.3 Organization chart



## SECTION 6

### OPERATIONS AND PRODUCTION PLAN

#### 6.1 General approach to operations

Chain operation, food quality, hygiene and safety, freshness, cost control, and consideration of supply chain. From production, procurement, processing and distribution, warehousing and logistics, to the final store, every link is crucial. Including purchasing, processing and distribution of ingredients, standardization of base materials, location and decoration of shops, recruitment and training of employees, etc., it is necessary to separate the important links of catering operation and set up a professional company with market operation, which not only serves as a supplier, but also provides catering service to the third party in the market, ensuring the stability of the upstream supply chain and cost of Haidilao Restaurant, and incubating and enhancing the market operation ability of each brother company. Master the supply chain to enable the company to have the active management ability of catering. Master the source of food and beverage ingredients, control the whole process of distribution to ensure food safety, and meet downstream demand quickly and flexibly. Food safety, the main suppliers are related parties, accounting for 81.7% of the procurement cost. Cost control, food safety control and supply chain are the biggest competitive advantages. Self-owned supply chain system can provide strong support for the company's future horizontal expansion.

#### 6.2 Business location

The headquarters of the production plant should give priority to areas with preferential government policies and places with convenient transportation and logistics. Other chain stores should implement the principle of proximity, that is to say, they should have convenient transportation, communication and access. Or close to commercial areas, economic areas, cultural areas, development zones, etc., with smooth roads and easy access to customers. The supporting environment is in

place, the external environment should form a climate, and other restaurants in hot pot restaurants should be operated in a mixed way, such as a restaurant street and a hot pot city. At the same time, we should advocate our own comprehensive supporting facilities and combine various operations to form economies of scale. To forecast profit scientifically, we should combine various factors before and after the opening of the business, analyze the sales and gross profit in a certain period, and forecast the profit and benefit. In addition, you can judge the choice of store location by experience. When choosing places where commercial outlets are concentrated, places where people gather, places with convenient transportation, specific locations, gathering places for peers, and special ports, the layout should also consider the following ideas: expansibility, aggregation, competitiveness, and multi-industry coordination.

### **6.3 Facilities and equipment**

And facilities and equipment are divided into workshop use and shop use. Facilities include production workshop, warehouse and administrative office facilities. In the configuration of process equipment, according to the principle of energy saving, new energy-saving equipment is selected, and according to the principle of environmental protection, environmental protection equipment is preferred. The main equipment configuration should be compatible with the production technology and production scale of the product, and at the same time, it can meet the parameters requirements of energy saving and clean production. The equipment selected for the project must be advanced in technology and reliable in performance, reaching the advanced level at home and abroad at present. It has been proved by the manufacturers that it runs stably and reliably, and can meet the requirements of producing high-quality products. The ratio of performance to price is reasonable, which enables investors to obtain production equipment for producing high-quality products with reasonable investment, rationally allocate production equipment, and give full play to the best technical level of all kinds of equipment. This project plans to purchase domestic advanced

key process equipment and domestic and foreign advanced testing equipment. The main equipment includes: cleaner, pulverizer, extractor, separator, distiller, measuring instrument, frying machine, etc.

The facilities needed in the store include tables, chairs and tableware, and the cleaning of tables has always been a major part of the hygiene of hot pot restaurants. However, nowadays, most of the tables of hot pot restaurants are directly paved with a layer of marble, which is fashionable and easy to clean. Dining chairs can be determined according to the overall decoration style of the store. And induction cooker, heating equipment is generally divided into gas, solid alcohol (wax) and induction cooker. Because the first two types use open fire, and a small amount of odor will be produced, especially for the elderly and children, it is not safe and convenient to use, so the induction cooker will replace it, that is, it will not produce open fire, and it is safe, hygienic and convenient to operate. Kitchen equipment, kitchen utensils in hotpot restaurant include: slicer, bone saw, four-door refrigerator, six-door refrigerator, stainless steel fresh-keeping workbench, stainless steel double-layer workbench, sink, sink, cupboard, shelf, stainless steel leftover table, stainless steel conditioning cabinet, disinfection cabinet, smoke exhaust hood, cooker, etc.

## SECTION 7

### FINANCIAL PROJECTIONS

#### 7.1 Sources and uses of funds statement

In the early stage, funds mainly come from self-financing, banking and external equity financing, while in the middle and late stage, they mainly come from operating profit, banking and external financing. All the funds in the early stage will be used for the operation of the enterprise. If there is a surplus in the later stage, after making up the losses of the previous year, the reserve fund will be drawn in proportion, and the remaining part can be distributed to shareholders according to the situation, as well as the future annual development projects of the enterprise.

1. About 60% of the funds will be used for some expansion plans, and new stores are planned to be opened in second-and third-tier cities and overseas. New restaurants usually open in the second half of the year, and usually achieve a preliminary monthly balance of payments within 1-3 months after opening, and a cash investment return within 6-12 months. 2. About 20% of the funds will be used to develop and implement new technologies, of which about 8% will be used for projects related to food safety, and the remaining 12% will be used for projects to enhance customer experience. 3. About 15% of the funds will be financed by repayment credit. 4. About 5% will be used for working capital and general enterprise purposes.

#### 7.2 Pro forma income statements.

Project	Unit: 100 million yuan
Operating income	57.57
Selling cost	26.00
Gross profit	31.57
Other revenue	0.43
Employee compensation	15.72

Depreciation and amortization	2.39
Other expenses	8.26
Operating profit	5.63
Financial cost	0.03
Net profit	4.11

### 7.3 Pro forma balance sheets

Project	Unit: 100 million yuan	Project	Unit: 100 million yuan
<b>Floating assets</b>		<b>current liabilities</b>	
Cash and cash equivalents	2.12	Short loan	4.64
Accounts receivable and bills	1.75	Accounts payable and bills	2.00
Accounts receivable from affiliated companies	7.49	Accounts payable- others	4.06
Goods in stock	0.41	Other current liabilities	1.74
Other current assets	0.07		
<b>Total of current assets</b>	<b>11.84</b>	<b>Total current liabilities</b>	<b>12.44</b>
<b>Non-liquid asset</b>		<b>Non-current liability</b>	
Property, plant and equipment	8.04	Money borrowed for long term	0.06
Prepayments and other receivables	3.58	<b>Total non-current liabilities</b>	<b>0.06</b>
Invisible assets	0.19		
Other non-current assets	0.42		
<b>Total non-current assets</b>	<b>12.23</b>	<b>Shareholder's equity</b>	<b>11.57</b>
<b>Total assets</b>	<b>24.07</b>	<b>Total shareholders' equity</b>	<b>24.07</b>

#### 7.4 Pro forma cash flows

<b>Cash flow from operating activities</b>	Unit: 100 million yuan
Cash generated from operating activities	5.09
Cash generated from other operating activities	1.33
<b>Net cash flow from operating activities</b>	<b>6.42</b>
<b>Cash flow from investment activities</b>	
Cash paid for the purchase of property, plant and equipment	-4.25
Cash paid for purchasing intangible assets and other assets	-0.12
Other cash flows from investment activities	-4.79
<b>Net cash flow from investment</b>	<b>-9.16</b>
<b>Cash flow from fund-raising activities</b>	
New loan	2.4
Refund	-0.76
Absorb investment income	0.11
Interest payment	-0.03
Cash flow from other financing activities	-0.13
<b>Net cash flow from financing activities</b>	<b>1.59</b>
<b>Net increase of cash and cash equivalents</b>	<b>-1.15</b>
<b>Ending balance of cash and cash equivalents</b>	<b>-1.15</b>

## 7.5 Ratio analysis

Various indicators	Unit: 100 million yuan
<b>Growth ability index</b>	
Gross revenue	57.57
Gross profit	31.57
<b>Profitability index</b>	
Gross profit rate (%)	54.84
Net profit margin (%)	7.13
<b>Profit quality index</b>	
Income tax/total profit (%)	26.68
Cash flow/operating income (%)	11.15
<b>Financial risk index</b>	
Asset-liability ratio (%)	51.93
Current/total liabilities (%)	99.58
liquidity ratio (%)	0.95

Gross Profit Margin can reflect the value-added of goods after the internal system is transformed by production. As can be seen from the above table, the gross profit margin is large and the value-added of enterprises is large. Its size usually depends on many factors such as market competition, enterprise marketing, R&D cost, brand effect and fixed cost.

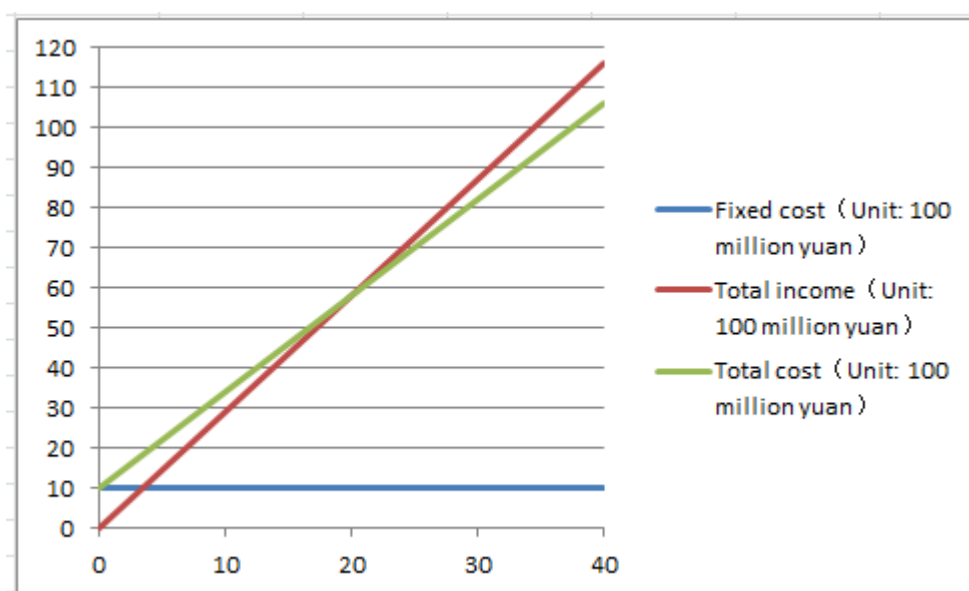
The net profit margin at the beginning of the period is positive, which proves that the business plan of the enterprise is feasible. However, compared with the gross profit margin, it is found that there is a big difference between the two, indicating that the period expenses of the enterprise are higher.

Asset-liability ratio is the percentage of total liabilities divided by total assets at the end of the period. It is a comprehensive index to evaluate the company's debt level, reflecting the proportion of capital provided by creditors to all capital. Asset-liability ratio can be used to measure an enterprise's ability to use the funds provided by creditors to carry out business activities, and it can also reflect the degree of safety of creditors in granting loans. At the beginning of the period,

enterprises have to invest a lot of money to buy fixed assets and raise funds from outside, so the ratio is slightly higher.

Current ratio is the ratio of current assets to current liabilities, which is used to measure the ability of an enterprise's current assets to be converted into cash to repay its liabilities before the short-term debt expires. The low ratio indicates that the liquidity of enterprise assets is very weak, short-term compensation, and it is necessary to continue to operate reasonably.

## 7.6 Breakeven analysis.



According to the previous investment estimate, the break-even point is expected to appear when the 20th chain store is opened. The fixed cost remains unchanged from the input. When there are 20 chain stores, the total revenue is equal to the total cost, which is 5.8 billion yuan.

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