

# ***Analysis of the Current Situation of China's Catering Industry under the Background of Covid 19***

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**Abstract:** Under the attack from Covid-19, there has been a significant drop in Chinese catering industry. This article carefully studied the impact of COVID-19 on China's food business by applying data and literature analysis, in order to properly deal with the shock of COVID-19 and its following effects, as well as to support the stable and healthy growth of the food industry. The new Covid-19 virus has caused a lot of trauma to the Chinese catering industry, causing China's total catering revenue fell below 4 trillion yuan. But at the same time, some companies persisted and even performed better. The aim of this research is to find the reasons for why those companies had operating issues, and find solutions to resolve the problems. Data from different authorized sources is analyzed to find the trend of the changes. Opinions from published articles are also considered and evaluated. As the result of the study, it is concluded that the impact of the new Covid-19 virus on the Chinese catering industry is undoubtedly a big one, but as long as companies have reasonable countermeasures, they can survive the difficulties safely, and even improve the original level. With the development of the epidemic, these enterprises will become more and more mature. Based on this result, the Chinese catering industry should encourage more innovation and technology improvement to survive under such conditions.

**Keywords:** Covid-19, Chinese catering industry, risks, solution, innovation

## **1. Introduction**

Since the formation of the People's Republic of China, the COVID-19 epidemic at the end of 2019 has been a severe public health emergency with the quickest spread, the greatest variety of diseases, and the most challenging prevention and management. The state of my country's industrial economy, how it is organized, and the industrial structure all have a significant impact. Many cities were locked down during at the beginning of 2020 during the first wave of Covid-19. All the restaurants were forced to close. People were only able to receive food supplies from their community. In this essay, data and literature analysis will be applied to explore how catering companies can survive under the epidemic and to study the future development direction of the catering industry. In order to find a more efficient way to allocate resources during such a crisis and also to manage risks with a deeper understanding of the corresponding response policies.

## 2. The Impact of Covid-19 on Chinese Catering Industry

The catering industry is an important part of a country's commodity retail industry, mainly provides social life services for the development of the national economy. The catering sector offers customers food items with distinctive flavors, lovely settings, and first-rate services that not only satisfy their visitors' wants but also showcase outstanding culinary skills and distinctive food items. It is also the crystallization of cuisine culture and has the potential to develop into a tourism resource, luring a variety of domestic and international travelers. In addition, the restaurant catering department and social high-end restaurants are in charge of promoting my country's cuisine culture and tapping into its tourist resources as significant components of the catering sector. However, after the appearance of Covid-19 virus, there has been a significant drop in the sales of catering industry. The outbreak has had a significant impact on the nation's catering business. The turnover of many long-closed catering businesses has drastically decreased.

### 2.1. Data Analysis

According to figure 1, affected by the new crown pneumonia epidemic in 2020, China's total catering revenue fell below 4 trillion yuan. There is a dramatic drop from 2019 to 2020, when Covid-19 first spread in China.

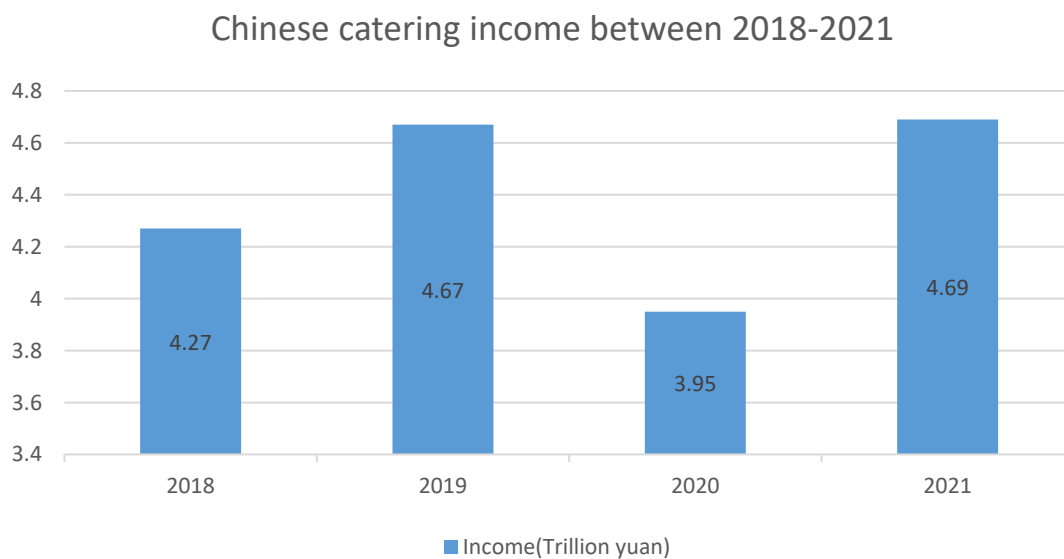


Figure 1: Chinese catering income between 2018-2021 [1].

According to the data from the National Bureau of Statistics, from January to July 2020, the national catering revenue was 1,789.1 billion yuan, a year-on-year decrease of 29.6%. Among them, the national catering revenue in July was 328.2 billion yuan, down 11% year-on-year [1]. The popular restaurant district and well-known restaurant street of Guijie in Beijing were impacted by the outbreak for a while. Customers complained that Hu Da Restaurant on this street was "impossible to wait for a table," and as a result, the average daily traffic to numerous chain businesses decreased by 80%. "There are no more than five tables of people in all the stores in the entire Guijie Street within sight. In winter, there are people lining up at the entrance of Hu Da Restaurant, and there is not a single person in sight." said the manager of the street. According to Zheng Mengmeng, vice-chairman of the Beijing Guijie Chamber of Commerce, about one-tenth of the 119 catering businesses in

Beijing Guijie were closed for subletting in May, most of which were small individual catering businesses.

## 2.2. Problems That Companies Are Facing

Since the outbreak of the epidemic, the biggest pressure on cash flow for enterprises has come from the payment of wages, social security, and other labor costs. All the restaurants were shut down during the first half of 2020, but firms still had to pay for the rents and wages to the workers. This is a huge cost when there was no extra inward cash flow. This cost could not be recovered in the future, which could be seen as dead way loss for the firms. The revenue is generally anticipated to decline sharply in the first quarter of 2020. Only around 7% of businesses anticipate revenue to be steady or continue to increase, while approximately 16% anticipate zero revenue and 70% anticipate a decrease of more than 70%. According to the study, 21% of businesses said they had already experienced financial difficulties, 50% said they would face this risk in the first quarter, and only roughly 5% said there would be no danger within a year. Figure 2 shows that more than 90% of the companies were expecting a significant drop (more than 70%) in their revenue in the first quarter 2020 [2].

Companies expect first-quarter revenue to change from the same period in 2019

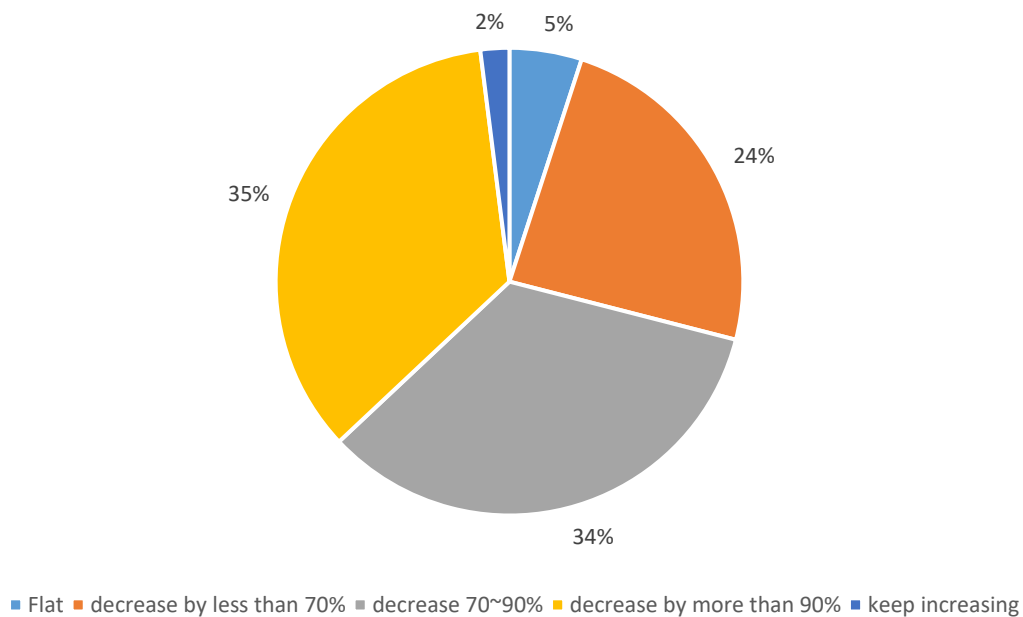


Figure 2: Companies expect first-quarter revenue to change from the same period in 2019[2].

According to the research, 42% of the firms said that the employees in the position had essentially satisfied the demands, 37% claimed that there were too many employees, and 21% claimed that the staff members on the post could not meet the needs. The first quarter's employment status remained mostly unchanged as a result of the outbreak. Only approximately 10% of businesses elected to considerably decrease their work forces, whereas 43% of businesses chose to reduced their employees. The manufacturing department is the one most impacted by the virus, followed by the marketing/sales department. About 44% of companies said that key management personnel and functional departments were basically unaffected. As a result, the unemployment rate rose significantly, and people's quality of life decreased.

### **2.3. Methods to Resolve These Problems**

First of all, catering companies have been severely impacted by the public's worries about crowds of people and the increased vigilance on food safety during the outbreak, which is most evident in the sharp drop in the number of dine-in customers. Catering businesses should carefully control their food and raw material inventories and supply chains during an epidemic, pay attention to regular hygienic checks in their stores for the prevention of the disease, and perform well as part of the backup force fighting the disease. At the same time, they could think about reevaluating their own assets or business methods. In order to meet people's needs for online consumption by combining online and offline methods, large enterprises could set up their own online business systems, and small and medium-sized businesses could introduce online platform partners to find new growth opportunities and speed up enterprise transformation. Therefore, increase the capacity of businesses to withstand hazards. Also, in response to the above liquidity risks which was mentioned in 1.2, catering companies should strengthen capital management and establish a sound, smooth and effective communication mechanism with various stakeholders to seek support. Examples include negotiating rent reductions or delays with landlords, coordinating with upstream suppliers to lengthen the payment cycle, negotiating with financial institutions for credit support and preferential terms, and asking the government for a refund, an extension, or even a reduction in taxes and social security fees. Moreover, it might be challenging to quickly and successfully address the personnel issue during an outbreak. To address personnel issues in the near term, it is also feasible to invent concepts and think about collaborating with other sectors to share workers. For instance, employee resource sharing programme have been implemented by e-commerce platforms like Hema Xiansheng, Xibei, and other catering businesses. These programme not only relieved the pressure on labour costs for catering businesses, but also assisted Hema in obtaining enough personnel for online order delivery.

### **3. The Development Trend of China's Catering Industry in the Post-epidemic Era**

According to graph1, after the recovery of the epidemic in 2021, it will rebound to 4.7 trillion yuan, a year-on-year increase of 18.6%. By in depth investigation on the reason for this recovery, there was a significant increase in the Prepared-dishes industry. In 2019, the market size of China's prepared dishes was about 244.5 billion yuan, and the scale of China's prepared dishes industry was 345.9 billion yuan in 2021, and it is expected to exceed 400 billion yuan in 2022[3]. At the same time, there are other factors that influence the Chinese catering industry such as the complex international situation, the increasing pressure from global inflation, the rising cost of raw materials and transportation, and the slowdown in the growth rate of China's urbanization. Generation Z, as the main force of catering consumption, is also facing severe employment problems, resulting in the instability of the catering consumption base on 2022, the problems in the connected domains of the catering business will still be present due to the pandemic and the conundrum brought on by several external variables, such as the reduction in travelers flow.

#### **3.1. The Chain and Onlineization of Restaurant Enterprises Is Accelerating**

Moreover, the catering market in China is still expanding along a chain. According to Meituan statistics, the chain rate of China's catering sector would rise from 13% to 18% between 2019 and 2021, a rise of 5 percentage points in two years. However, compared to developed economies, the current restaurant chain rates in the United States and Japan are 54% and 49%, respectively [4]. The conventional business strategy, which exclusively depends on dine-in consumption, is too inactive when faced with the epidemic's unpredictability and shifts in consumption situations and groupings. Catering businesses could only boost efficiency and their capacity to withstand risks by implementing digital transformation and upgrading. According to a survey conducted in 2021 by the China Chain

Store & Franchise Association, more than 68% of the top 60 chain catering businesses fully comprehend the benefits of digital transformation.

### 3.2. The Industry Has Entered the Fast Lane of Development, and the Food, Processing and Distribution Ends Are Efficiently Coordinated

The demand for standardized dishes by catering businesses has been rising recently, and the consumer market's demand for semi-finished and finished food has also been rising, which has resulted in a new round of industry upgrading. This is due to the continuous improvement of the chain rate of catering businesses. The development of the catering business has accelerated. The processing, distribution, and ingredients are expertly coordinated. In addition, prepackaged foods are also gaining popularity. Compounding and customization of condiments are two trends that have emerged throughout time. During the development period, digitization runs through the entire supply chain of the catering industry.

### 3.3. A New Type of Catering Company That Has Risen in the Epidemic

The laborious processes of purchasing, cleaning, chopping, and cooking for customers are made simpler by pre-prepared dishes, which are semi-finished food manufactured in a factory assembly line. They can be eaten after tearing the package and reheating, which is simple and saves time. Additionally, pre-made meals offer competitive benefits including standardization, size, and consistency, which may efficiently cut labour costs, shorten meal times, satisfy the demands of catering firms to lower costs and boost efficiency, and become a takeout tool. According to graph 3, in 2019, the scale of China's pre-made meals market is about 244.5 billion yuan, the B-end market is 195.6 billion yuan, and the C-end market is 48.9 billion yuan [5].

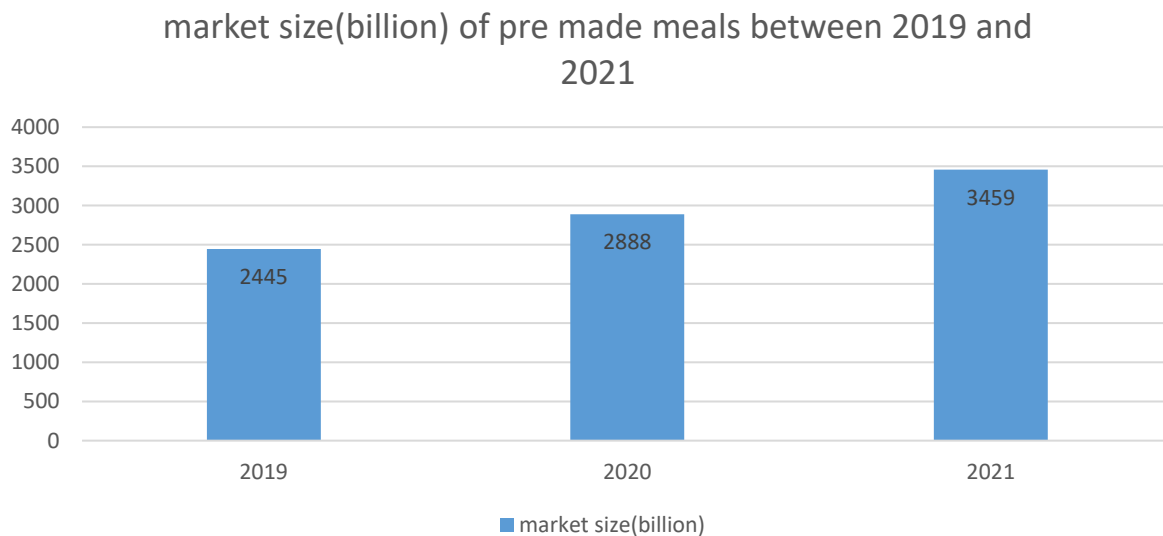


Figure 3: Market size(billion) of pre made meals between 2019 and 2021.

The pre-made meal industry in China only recently began to grow, so from the standpoint of the industry's overall development process, the industrial construction is still in its infancy and needs to be strengthened, along with infrastructure like industrial parks and cold chain networks. At present, there are few leading enterprises in the industry, and the market concentration is relatively low. According to data from the Prospective Industry Research Institute, the CR10 of prepared foods in China is just 14.2% in 2020[6], which is significantly lower than Japan's CR5 of 64.0%. Despite the

fact that the pre-made food industry is still developing, there are many opportunities for growth. In addition to the active deployment of many enterprises in this track, the state and local governments have also successively issued documents to help the healthy development of the industry. For instance, the Guangdong Provincial Government released "Ten Measures for Accelerating the High-Quality Development of Guangdong's Prefabricated Vegetable Industry" and the Ministry of Agriculture and Rural Affairs released "On Guiding Opinions on Accelerating the Cultivation and Development of the Whole Agricultural Industry Chain."

#### 4. Conclusion

The catering industry's tendency toward digitization will be more and more visible as pandemic prevention and control become the standard and the catering market's size keeps growing. The synergy effect of the industrial chain will also become increasingly clear at the same time as the trend toward ecological and capitalist development will continue to gain strength, providing fresh prospects for development. Digital development will become a significant barrier to competitiveness between catering businesses and other brands in the post-pandemic period. The epidemic's effects on consumers have altered conceptions, routines, and behaviors surrounding consumption. As more businesses offer goods and services that combine online and offline settings, they increasingly rely on digital tools and methods. The innovative brands being investigated are developing a new consumer-centric strategy, interaction, service, and contract performance model, directing channels, partners, and terminals to jointly sort out new business models to increase overall effectiveness and user experience. The rate of enterprise digital penetration is rising as the catering industry's scale and standards gradually improve. In this situation, capital is still positive about the catering sector and is extending its hand to an increasing number of businesses. Red Food Big Data estimates that in the 1.5 years between 2021 and 2022, out of more than 450 catering-related financing events, 43.4% of those involving supply chains, caterers, condiments, plant-based foods, and logistics distribution took place, with a single financing amount of up to 800 million US dollars. This shows that capitals are now willing to overweight catering industry. It is concluded that the rivalry in catering has been more fierce by examining how the sector has developed over the past year. Whatever the cause—serious involution or cross-border harvesting—it demonstrates that catering, as a just-needed consumption, is still a path that the public is enthusiastic about. Nevertheless, this paper can go deeper into the shortcomings of the company's operations in the epidemic. It would be better if there were a few case studies in this essay to make the conclusions more reliable. In the future, more research will be done on the development of the digital economy, which should be in the mainstream soon.

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