

Marketing Strategies in Times of Crisis

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Abstract: In this paper, we discuss and research the marketing strategies which enable the catering industry companies to get through the crisis. Based on the case studies of successful and failing catering companies, we examine and conclude four factors of marketing strategies effective to overcome the problem. This paper provides referential value for catering industry companies to cope with the crisis.

Keywords: marketing strategies, catering industry, crisis

1. Introduction

The Covid-19 pandemic, more precisely, the pandemic caused by the coronavirus disease 2019, is a worldwide event. The first breakout was identified and reported in Wuhan, China, in 2019. This long-lasting pandemic still significantly damages the world's business industries, mainly catering ones. Nevertheless, some catering companies have succeeded under the pandemic's impact, while others have failed. According to China's National Bureau of Statistics, in 2020, the revenue of China's food and beverage industry was down 16.6% compared to 2019 due to the impact of the global pandemic [1]. However, some catering companies even became more successful during the pandemic. Xibei restaurant business could be an appropriate example. Also, Xiaochuniang restaurant achieved higher success during the pandemic crisis.

In contrast, other companies like Sanshang Japanese Food and Haidilao broke out or failed to reach their peak. As the pandemic affects companies equally, why do some catering companies fail, and some succeed? This paper will review research identifying strategies for crises like the COVID-19 pandemic. We will then investigate the extent to which these strategies explain the success or failure of companies in the catering industry.

2. Literature Review: Strategies to Cope with a Crisis

There is a lot of research dealing with concerns, and they identify at least four factors that companies should consider: innovation, communication, channel, and transparency.

The first-factor innovation, for example, in a paper by O'Malley, Story and O'Sullivan [2], mentions introducing new products to the market, which are effective during a recession. And another one by Quelch and Jocz [3] talks about innovative improvements to core products that will grab attention and motivate purchases when demand is low.

Second, effective communication has been critical in the catering industry during the pandemic. It is even more important for firms to understand the needs of consumers as well as keep them informed. In fact, according to a study in the *International Journal of Hospitality Management*, effective communication is essential for promoting adherence to safety guidelines in the catering industry [4]. Ultimately, good communication is necessary to guide catering industries during the Pandemic.

Third, Fan Wei and Fang Sihai [5] have emphasized in their paper on the golden pricing model in a financial crisis that companies should maintain a balance between social responsibility and profitability through reasonable pricing, and that appropriate lower or higher prices will receive further feedback, positive or negative when companies encounter crises and have the opportunity to help them get through the difficulties.

Fourth, in his paper on Crisis Stability and Transparency, Dong Li [1] mentions that enhancing corporate transparency is an essential guarantee that a company and its leaders can win the widest trust in times of crisis, create more significant value, and make the company grow in the long run.

The channel through which catering companies reach their customers significantly impacts their success. With the pandemic's restrictions, relying on customers coming to restaurants for revenue can be deadly for catering industries. Firms need to develop new channels, such as online ordering or takeaways. A report by IBISWorld [6] found that the catering industry in the US has benefited from increased demand for online food delivery services, with the sector expected to grow at an annual rate of 4.8% over the next five years. Companies that have invested in developing their online presence and partnering with popular delivery platforms have been particularly successful in reaching new customers and expanding their business. In addition, social media platforms have also become an essential channel for catering companies to showcase their offerings and engage with customers.

3. Method

With various research methods capable of evaluating market strategies, we choose the primary qualitative research method: a case study. One of the reasons for choosing it is that it considers the validity of the four factors mentioned above through a wide range of perspectives and also from a more objective view.

3.1. Case Study

Then let's look at the food and beverage industry to measure whether these factors explain the success and the failure of the companies in these industries during covid.

First, we intend to analyze a successful company: Xiaochuniang Detailly. Evidence shows they are using innovation and changing channels as their marketing strategies.

Nanjing Xiaochuniang Fast Food Company was founded in 1997 and has been in the Chinese food business since 2000. As a newborn brand, Xiaochuniang has extended to nine different subbranch brands with "Nanjing Xiaochuniang Fast Food" as the leading brand, at the same time, Chuniang.cn" as the representative of fashion business catering brand, the ecological resort hotel brand represented by "Qinglong Villa," and service enterprises and public institutions logistics-based group catering management company and other four subsidiaries. We consider its success during the pandemic due to its marketing strategies: accurate and unique market positioning and the advanced and innovative business model.

With the influence of the pandemic, the Chinese catering industry has ushered in the era of rational consumption [7]. Reasonable consumption is not that consumers do not consume or consume at low prices but that consumers begin to pursue the value premium of restaurants. The economic crisis caused by the pandemic is to be blamed for such a transformation of the consumption concept. But at first, XiaoChuniang's original brand image was "the restaurant where elders meet" only to dine in.

Xiaochuniang will undoubtedly become a failure example if the business model and brand image remain the same during the pandemic crisis. But through rebuilding the brand image, continuous excavation and amplification of brand value, and change in business model, Xiaochuniang achieved success. The solution is to connect young customers by creating a landmark cultural theme store. The culture of the Republic of China plays a pivotal role in Nanjing. To define the culture of the Republic of China, Xiaochuniang built the theme store "The Reception Room of Celebrities of the Republic of China" in the 1912 block of the Presidential Palace, which is the most famous commercial district in Nanjing. The delicacy and elegance of celebrities in the Republic of China form a 360-degree immersive dining experience through the explosive design of product, environment, and service experience. After the opening of the theme store, the consumption increased by 35% [7], attracting many young people to punch the clock. Within three months, it became a new benchmark of Nanjing fashion catering.

Another important decision made by Xiaochuniang was to extend its business model and channel to food delivery. Not simply letting the food deliveries come and deliver the dishes to the customers; from the beginning, they treated it as a new venture, without the "hubris" of a traditional big restaurant, nor was it a simple graft. The stores attach great importance to take-out and set up individual posts to manage the food delivery services. Each store has three full-time job managers engaged in it, collecting customers willingly and changing the strategies according to the daily order quantity, kitchen docking, and customer opinions.

Not only because of innovatively rebuilding the brand image and enlarging the business model, Xiaochuning careful and accurate treatment of each innovation strategy also played an essential role in its success.

The second successful case is the Xibei restaurant company, founded in 1988. The Xibei restaurant company is headquartered in Bayannur, Inner Mongolia, and has expanded its business area to Northern, Eastern, and Southern China. Xibei's original business strategy was standardization as the core strategy, vertical integration, and brand diversification as a synergistic strategy. Still, to better cope with the challenges posed by the epidemic, Xibei turned around the crisis by considering both innovation and transparency.

Due to the spread of the epidemic, the government asked people to travel less and not to gather unless necessary. Many families canceled family gatherings, leading to a significant patronage drop. The government demanded full refunds from all caterers, and this, coupled with high shop rents and the base salaries that staff had to pay, led to a severe break in Xibei's financial chain. At this point, the two challenges in front of Xibei were how to rule on the large number of employees who were not working and how to solve the vast amount of hoarded ingredients [8].

In response, Xibei developed a new "online office, the remote command" system and made a strategic decision to digitize. In response to the national policy, Xibei has opened a new online business model, where account managers communicate with customers daily on a 1-to-1 basis, sharing daily dishes with them and will provide first-hand information about the mall to customers in their circle of friends. The company also developed innovative products to enrich the product range on the online consumer platform, providing takeaway services and ingredient ordering services.

As the epidemic gradually stabilized, Xibei's reputation was tarnished by the exposure of price hikes. In response, Xibei apologized to the mass media at the beginning of the outbreak and quickly reduced prices. Still, it was Xibei's move to improve the transparency of its operations that calmed the situation. Xibei has adopted an open food and beverage production process, where the processing of ingredients is transparently visible. Staff at the shop said that Xibei has permanently attached importance to the selection of materials and incurred higher costs in the selection, transportation, and use of materials, but also admitted that the price increase at this time really should not be.

In the face of the impact and challenges brought by the epidemic, the Xibei restaurant company has promptly innovated its business model and product structure, adjusted its business strategy, and successfully grasped the opportunity to complete the transformation and upgrading of its business [9].

Here is the first case of a failed company, Sanshang Japanese food originated in the 1970s. It moved into Hangzhou 10 years ago to open its first store. At its peak, the number of Sanshang stores in Hangzhou and Ningbo reached 12. The investment company that Sanshang belongs to was established in October 2009. Currently, it is listed by the court as an untrustworthy executive. The company's manager Chen said that the main reason for the company's closure was the hit to the cold chain. The company is currently going through the bankruptcy process. Now by analyzing, the company did not survive the pandemic because it did not innovate "new products," such as semi-finished products in time, as well as not expanding new channels, such as short-distance delivery and community group buying, resulting in the company's sales declining so much that it could not afford its expenses and went bankrupt [10].

4. Conclusion

By analyzing the coping strategies of different catering companies in the face of business crises, we can easily find that all the methods revolve around several factors at the beginning of the article.

Influenced by the change in people's lifestyle and consumption, the production methods of enterprises have also changed; offline physical production and operation activities are restricted, physical stores are temporarily opened, and logistics are also affected.

In the face of the current situation, enterprises should continue to innovate their business model and innovate in the structure of dishes, dining mode, and service process. Improve the standardization of management, change the service mode on demand, advocate positive and healthy dining style, enrich the products, broaden the channels, actively respond to the challenges, and better adapt to the needs of consumers in times of crisis. Companies need to find business opportunities, actively adapt to the market, and enhance the sense of social responsibility.

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