

Research on Service Marketing Strategy of Haidilao Based on Chinese Market

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Abstract: Under the background of fierce competition in the Chinese catering industry, Haidilao is a successful sample of taking unique service marketing strategy that has received much support from the catering industry. But why Haidilao is so popular in China and even worldwide? The answer should be the good marketing strategy it adopted. As the service marketing strategy is one of the successful strategies of Haidilao, it is worth discussing. This paper introduces some of the concrete services Haidilao provides, which makes it special, and also analyzes the pros and cons of the service marketing strategy of Haidilao. For the aspect it needs to improve, this paper gives a clear suggestion on how to improve on the corresponding aspect. This paper can reference the Chinese catering industry because some other restaurants may encounter the same problems. It has an important meaning for guiding the further steps of taking service marketing strategy for Haidilao and other similar restaurants.

Keywords: service marketing strategy, Haidilao, Chinese market

1. Introduction

Chinese catering industry faces fierce competition. As a popular food choice, hotpot has attracted many people's attention, and Haidilao is a landmark in the hotpot catering industry. Haidilao was founded in 1994. Due to its fast-speed expansion, it had more than 1000 restaurants in China until 2022. One of the most representative features of this brand is its good-quality service provided to customers. The service marketing strategy of that brand is worth discussing as service is an important factor leading to its rapid development. Hence, Haidilao has created unique value in its service marketing strategy and has made many improvements in customer satisfaction, which is worth being a reference for other restaurants. This paper aims to give a clear reference on how the service marketing strategy of Haidilao brought opportunities to the Chinese catering industry and tries to analyze the service marketing strategy of Haidilao, as well as why Haidilao's service marketing strategy is worth consulting. Moreover, the author will also point out and analyze the aspects Haidilao needs to improve in its service marketing strategy. The suggestion given in this paper may be helpful for companies in the Chinese catering industry to improve their service marketing strategies.

Providing customized service for every guest is the pursuit of Haidilao. When a guest enters the restaurant, a series of customized services are prepared by employees. The services provided in restaurants, including manicures and snacks, are free for customers. For employee training, Haidilao has always encouraged their employees to be flexible when tackling problems related to customers'

needs as they realized that only personalized consideration could satisfy individuals' requirements and help solve the problem promptly. But there are also some disadvantages it needs to improve on its marketing strategy. It has been suggested that Haidilao needs to provide diversified value-added services to satisfy different customers' needs since this will make Haidilao restaurants more competitive in service. Now Haidilao has changed its marketing strategy to major media and gives more discounts on dishes to attract more consumers. This change caused it to lose its original orientation, and its brand value is becoming increasingly invisible [1].

While many past papers emphasized the importance of changing some strategies other than service marketing strategy, such as advertising and pricing strategies, they rarely mentioned the importance of improvements on Haidilao's service marketing strategy. Hence this paper will fill the gaps in the comprehensive analysis of service marketing strategy and suggest what aspects of Haidilao other brands should study and some shortcomings Haidilao needs to improve on its service marketing strategy. As service is the most recognized feature of restaurants, it should be emphasized to distinguish that brand from other brands in the catering industry.

Regarding the methodology, past research is the most effective source to consider and comprehend a catering enterprise fully. Firstly, this paper will adopt the method of acquiring useful information and some real cases from past research and explore how its service marketing strategy evolved, then give a clear analysis of the service marketing strategy of Haidilao under the background of the Chinese catering industry. After collecting enough evidence, the next step is to give a convincing suggestion on the strategy adopted. The last step is to summarize the findings on the service marketing strategy of Haidilao.

2. Case Description

It has been stated that the good service provided by Haidilao comes from taking care of its employees because meeting employees' self-fulfillment leads to low staff turnover and creates employees' loyalty to the company. Thus, it creates a better working environment and a good employee relationship. Employees of Haidilao obey Maslow's demand theory and provide services for customers in order to satisfy their needs on five levels: physiological needs, security requirements, social needs, customer respect, and self-actualization [2]. Haidilao adopts this strategy because they always respect consumers' wishes and want to create the perfect environment in line with customers' minds. Haidilao uses some digital technologies to serve people. To be more specific, Haidilao has developed an app that could help customers sign up for a manicure whenever they want [3]. Besides, people can check the queuing process by scanning the QR code at any time to avoid missing the call. Every table has an iPad used for ordering food. Therefore, customers can complete the process of ordering by themselves. This tool can save a lot of time for employees. All these technology-related services facilitated people's lives and let customers get prepared for their plans. For example, people can predict how long they will spend queuing at first, then consider their willingness to choose Haidilao to eat. At the same time, all these digital technology tools also allow Haidilao to improve its quality of service. Many people choose Haidilao not only because of its superior raw-food materials but because of its attitudes toward serving customers. The attitude of employees makes it more distinctive than other brands.

Haidilao has developed a series of value-added services since it has founded, but many of these services are consistent and without a big change or improvement. These consistent services include manicure service, which has existed for a long time. At first, many customers might be curious about the manicure service and even come to Haidilao because of the free service. But most consumers are no longer interested in it for some reason. The first reason is the lack of improvements and updates on this service. Besides, the manicure service of Haidilao is not very professional compared to the

nail salons. Many customers may get unsatisfied with this service after they do it for the first time and will probably not do the manicure in Haidilao anymore.

Now Haidilao still has many opportunities to increase its quality of service. Although some aspects of the service marketing strategy did very well, others must change or improve. This paper discusses the defects of Haidilao's service marketing strategy and some adoptable improvements.

3. Analysis on the Problems

3.1. Development of Service Marketing Strategy of Haidilao

To promote innovation in Haidilao's service, Zhang Yong, the originator of Haidilao, encouraged employees to propose suggestions for improving service strategy through a "golden idea list". Each suggestion will be assessed, and once their ideas have been adopted, they will be rewarded 200 to 2000 yuan. This measure solves the lack of innovation problem and stimulates employees to think of improving their jobs [1]. Now Haidilao uses human capital as its major source; every three or four tables in the restaurant usually have a corresponding waiter to serve customers. These waiters mainly serve tea and water and add soup to the pot. If customers order pulled noodles, there will be a specialized employee to demonstrate the process of pulling noodles in front of customers, which increases the fun of dining. When meeting special days like birthdays, many people go to Haidilao because employees there will create a perfect environment for celebrating their birthdays. Several servers will be standing beside the table and singing birthday songs for the person. Also, they may hold up a light board written "Happy Birthday" on it. Haidilao is a good place for parties with friends and families because everyone feels happy there. If someone eats Haidilao alone, those waiters will be very intimate and put a giant doll across from that customer to stay with the guy. Such a warm service creates a good reputation and brand loyalty for Haidilao.

3.2. The Problem and Reasons for Current Service Marketing Strategy

In Haidilao, several value-added services can be chosen. Manicure is one of the value-added services. Manicure in most Haidilao restaurants can receive only one to two guests at once. Haidilao may be crowded at weekends, and many wait outside restaurants. As the resource and staff of manicure service are limited, some customers may lose the opportunity to enjoy it and have to queue up for it, which requires a lot of time waiting. So many people would not consider that service when they come to Haidilao. In addition, excessive demand for manicure service may affect the quality of service because the staff may shorten the time of each person in order to serve more customers. This may result in a loss of customers as people are not satisfied with the value-added service of Haidilao and are usually bored when queuing outside the restaurant, so they will have a bad impression of Haidilao. The reason for this phenomenon may be insufficient consideration of the consumer base of Haidilao. Haidilao is always open at big malls in China, so the volume of people is very large, especially during the weekend; the consumer base of Haidilao is also large. Because of that, the value-added services lack variety and cannot arouse consumer interest. Therefore, Haidilao needs to innovate to roll out more value-added services.

Too enthusiastic service may lead to negative comments in some cases. For some introverts coming to Haidilao because of its delicious dishes, excessive service may make them feel uncomfortable. These kinds of customers prefer to stay alone throughout the eating. Employees adhere to the consistency of consumer service most of the time. They may not be sensitive to guests' feelings and provide service according to the personal situation of customers. Haidilao should also consider consumers' personalities and habits before offering services; thus, the service will be customized and optimize the customer experience.

As the total number of servers in the restaurant is large, the whole restaurant will be chaotic, especially when there are a lot of diners. It is common to see employees of Haidilao walking around the restaurants, leading to the disorderly and unsystematic environment of the restaurant. Under this situation, Haidilao cannot provide its customers with a quiet and comfortable environment. In the current Haidilao restaurant, human capital is the pivotal factor in offering services, and salaries and wages are the main costs of the company. With the development of AI and technology, those employees will probably be replaced by AI. Haidilao may seek an innovative restaurant operating system so that artificial technology may replace human capital. This measure will make a huge difference to its operating system. It can bring several benefits to Haidilao. Apart from saving costs, artificial technology has an efficiency advantage. When Haidilao became an automatic restaurant one day, serving speed was much faster than before since food could be delivered to the table in time. At the same time, there will not be many people jostling in the aisles.

Besides, since the young and the old are getting used to delivering food online due to the pandemic, Haidilao has developed a takeout service to provide semi-products for customers. With this action, although it is effective to increase Haidilao's sales in the short term, it will also damage the brand with a rising cost in the long run. Haidilao still has some problems with its delivery system. For instance, the appearance of semi-product when transported to customers may not be good as they could enjoy in restaurants. Packaging and pot cleaning will also cost Haidilao considerably [4]. But this delivery system is hard to improve on its services by the interaction between servers and customers; if it needs to improve, it should focus more on the quality of the semi-product.

4. Suggestions

4.1. Improvements in Value-added Service

As some value-added services, such as snacks and toys, do not require staff, this service is easy to improve quality. For instance, Haidilao can spend more money to innovate different snack flavors and invent more toys for children to choose from. However, what is relatively difficult to improve is the value-added service which needs staff such as manicures. The problem is that the staff in Haidilao providing the services are sometimes not professional. So it would lead to perfunctory final products that do not meet consumers' requirements. Some staff in charge of manicures may be unable to select the right color for customers that fit them. Besides, the rudimentary tools used on manicures also produce a perfunctory final product. Therefore, the unprofessional staff must be the first part of the value-added services Haidilao needs to change. Haidilao should set a higher requirements when hiring employees for professional jobs. A high-skilled worker will not only bring a better quality of final products but also help improve efficiency, which means customers no longer need to wait for such a long time for manicure service.

As customers have aesthetic fatigue, they always hope for better service even though high-quality service has been provided [5]. Therefore, the service of Haidilao still needs innovation, and the variety of value-added services in Haidilao is needed to increase. The restaurants of Haidilao in different places provide different services. For instance, some of Haidilao's restaurants have a room specialized for children, and there are some recreational facilities such as a children's slide and sand pit. Due to the limited area of restaurants, some restaurants do not have that entertaining room. In this case, Haidilao could find some other activities to replace it. Some restaurants in China offer chess to customers so that they can play it while queuing. This kind of entertaining activity is a good way to kill time and also an ingenious way to soothe irritated emotions of customers due to a long time waiting. This method can be realized as the costs of providing this little game are insignificant.

4.2. Customized Service Needs to be Emphasized

Haidilao is famous for its considerate service because it can provide anything for its customers within its power. If customers have private needs, like mouth wash, they can ask for help or grab one in the washroom. Those services are welcome. This is one of the most outstanding features of Haidilao restaurants. However, whether the service is likely good or unnecessary depends on who talks first, customers or employees. Imagine if a customer is enjoying the food, but the waiter standing beside her is staring at her to see if that customer has any requirements. Sometimes they fill the glass with water from time to time. Then the customer will be in a very embarrassed situation. It has been found that some people hold negative opinions towards Haidilao's service since it is too enthusiastic, which could cause uncomfortable feelings during the dining period [6]. Therefore, the recommendation for improving this aspect is to let consumers hold the initiative to ask for help. Maybe each table should install a function for calling servers, so servers will appear only when customers need them. When no one calls servers, they are supposed to serve special groups, such as handicapped or old. In addition, there is another way to improve consumer experience related to technology. If restaurant waitpeople can be replaced by robots one day, serving customers will be easy. And some introverted customers may prefer robots rather than servers to serve them.

4.3. Introducing New Technology

One of the main service marketing strategies Haidilao needs to improve is its staff management. In order to build up a nice and warm dining environment, every restaurant employee must work efficiently. Too many employees are not good because the whole restaurant will look messy during the busy time. The crowded and noisy environment will make customers and servers anxious, so the waiters will probably make mistakes in this environment [7]. Besides, the risks of danger also exist when children run on the passage and crash into someone, especially when a server carrying a hot pot passes through the table. However, once the employee ecosystem is broken by layoffs or cutting wages, Haidilao's service may be affected as employees may no longer have high job satisfaction [8]. Therefore, a good way to solve that problem, in the long run, is to invent an automatic operating system that could make huge progress from the way of providing traditional service by employees. This automatic restaurant system is verified to be beneficial as it saves customers a lot of time and reduces the servers' workload [9]. Haidilao has tried to explore a way of creating automatic restaurants. It opened its first smart restaurants in 2018. Inside the smart restaurant, there is no staff, so the robots complete the processes of delivering food and cleaning [10].

5. Conclusion

5.1. Key Findings

This paper has analyzed some of the current problems existing in the service marketing strategy of Haidilao. Haidilao is not a perfect restaurant with the best service in the Chinese catering industry as it still has some shortcomings in its service, but at least it tries to change this situation by giving employees the right to use their thoughts to solve the problems. That is what needs to be learned by other brands. However, the restaurants still need to improve their value-added service in terms of variety and quality. Secondly, service tends to be customized but not a fixed task for employees. Last but not least, Haidilao has the opportunity to become an automatic restaurant in the future.

5.2. Research Significance

The problems of Haidilao may also appear in some similar restaurants, so the suggestions will be helpful for the whole catering industry. By taking Haidilao as a relatively successful sample in service marketing strategy, some other restaurants are able to learn from Haidilao's effective strategy. If similar problems appear in other restaurants, they may use these suggestions as a reference.

5.3. Limitations and Future Study

As this paper focuses on secondary data, there are some limitations. Primary data is also suitable for this analysis and may be more accurate and direct. If there is a chance to collect primary data, interviewing the customers or fans of Haidilao is ideal for acquiring their feelings about the service of Haidilao.

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