

Five Forces Model Analysis of Enterprise Strategic Management——Take Haidilao Hotpot Catering Company as an Example



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Abstract: With the continuous improvement of people's living standards, customers' service requirements for the catering industry are also increasing. As a result, the catering industry is under the dual pressure of competition from competitors and customer requirements. And Sichuan Haidilao hotpot Catering Company is a differentiated service-oriented strategy; Always uphold the concept of "customer first, service first"; Persist in striving to meet the various needs of consumers; Companies that promote personalized service. This is an important reason why Haidilao hotpot is invincible in the fierce competitive environment. In order to get more market share, to achieve a higher profit level, occupy a more favorable position in the market, enterprises in addition to improve their competitiveness, but also the rational analysis of external competitive environment, strategy, under the influence of a variety of factors, enterprise how to effective analysis of external competitive environment is a concern. As a strong support for the enterprise analysis of the competitive environment, the Porter five-force model plays an important role in the formulation of enterprise strategy. By using the five-force model, we can clearly and effectively recognize the competitive environment of the enterprise and make strategy. This article will analyze the success of Haidilao hotpot from the perspective of the five forces model. This paper analyze the competitive strategy management of Haidilao, and provide some suggestions for the future development of Haidilao. The model analysis shows that there is no high entry barrier; Haidilao industry has little external unique business model; but the industry has strong internal competition.

Keywords: Haidilao Hotpot; Five Forces Model; Strategic Management; Differentiated Services

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1 Introduction

With the sustained and stable development of social economy and the improvement of people's income level, the catering industry shows a trend of rapid development. In order to gain a higher market share, enterprises need to conduct a rational analysis of themselves and the external environment to gain a competitive advantage [1]. The object selected in this article is Haidilao Hotpot.

Sichuan Haidilao hotpot Catering Company was established in 1994, is a large-scale inter-provincial direct catering private enterprise mainly engaged in the

operation of Sichuan-style hot pot and integrating the characteristics of hot pot from all over the world [2]. The company has always been adhering to the concept of "service first, customer first", with innovation as the core, changing the traditional standardization and advocating personalized services. In 2012, Haidilao's net profit exceeded 300 million yuan, which is the best proof of the success of its management model. Since its operation for many years, the company's direct sales restaurants have reached more than 190, covering Shenzhen, Xi'an, Tianjin,

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Hangzhou, Shanghai and other popular cities across the country [3]. In addition, there are 2 direct-operated restaurants in the Taiwan region of China. Through years of efforts, the company has won the honorary titles of famous hot pot and advanced enterprise, and it is worth mentioning its highly distinctive service, so that it finally won the reputation of "five-star" hot pot restaurant.

Firstly, this paper studies the competitive strategy of Haidilao Catering Co., Ltd., and enriches the relevant competitive strategy theory of the catering industry; secondly, this study selects the Porter five-force model to analyze the enterprise strategy and help guide Haidilao Catering Co., Ltd. to establish a scientific competitive strategy; Finally, this paper provides a reference and reference for the strategic choice of other catering industries.

2 Five forces Competition Model Analysis

The proposer of the Five Forces Competition Model is Michael Porter, which has influenced the development of global corporate strategy management and enterprise development [4]. This model is mainly used for the analysis of industry competition structure and competitive strategy, which can effectively help enterprises analyze the various economic environments they face in the economic circle, so that enterprises can formulate comprehensive development strategies on the basis of multi-factor analysis to achieve rapid development of enterprises. The five forces commonly referred to as "five forces" are: the threat of entry of potential competitors, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers, and the intensity of competition among existing competitors [5]. These five factors directly affect the profitability of the enterprise, and can clarify the strategic positioning of the company in the development of the industry, but also let the enterprise understand its best position in the competition.

2.1 Threat of Entry from Potential Competitors

Identifying new entrants is important for companies because they can threaten the market share of existing competitors [6]. One of the reasons new entrants pose a threat is that they increase the total capacity of the

industry. Unless demand for products and services increases, additional capacity is bound to reduce costs for consumers, leading to lower revenues and returns for competing companies. Moreover, new entrants often have an unparalleled interest and enthusiasm for capturing a larger market share. The likelihood of a business entering a new industry is determined by two factors: barriers to entry; Expectations of retaliation by existing companies in the industry [7]. Barriers to entry are what people often call barriers to entering new territory. Barriers to entry make it difficult for new companies to enter an industry, and even if they do, they will be in a disadvantageous competitive position. In this way, high barriers to entry increase the profits of existing competitors in the industry, and may also allow a small number of companies to form control of the entire industry. Therefore, to deter potential competitors from entering, successful businesses in the industry want to maintain high barriers to entry. Barriers to entry cover a wide range of issues, mainly involving economies of scale, product differentiation, capital requirements, conversion costs, access to distribution channels, cost disadvantages independent of scale, and government policies [8].

- (1) Economies of scale: Economies of scale originate from the continuous improvement of efficiency caused by experience accumulation in the process of enterprise scale growth. The improvement of corporate brand efficiency has a certain relationship with scale. But for the hot pot industry, the scale of development has not had a great impact.
- (2) Product differentiation: Although the brands of hot pot are different, the differences are not obvious. Therefore, the main difference is still reflected in the added value, such as service quality, enterprise management model, etc.
- (3) Capital requirements: Entering a new industry requires enterprises to have sufficient resources to invest [9]. For the hot pot industry, its capital requirements are not high.
- (4) Conversion cost: Conversion cost refers to the one-time cost caused by the customer's switch to a new supplier. The conversion costs of the hot pot industry are also very low.
- (5) Distribution channel acquisition: In the development of the hot pot industry, it is necessary to do a good job in the management of distribution channels, after all, the transportation is more convenient in the large market, and the wider the distribution range of

branches, the more consumers can be absorbed to consume.

- (6)Cost disadvantages independent of scale: Sometimes, existing competitors may have cost advantages that new entrants cannot emulate, such as a unique product technology, the best way to obtain raw materials, geographical location, and government funding.
- (7)Government policy: Food safety issues are becoming more and more concerned, and the government's management of the food industry is becoming more stringent than in the past.
- (8)Expected retaliation: In a society governed by the rule of law, direct retaliation is less likely.

In summary, there are no high barriers to entry in this industry.

2.2 The Threat of Alternatives

Substitutes are those products and services that come from outside a particular industry and that are similar or identical to those offered by the existing industry [10]. Because of the different enterprises, whether it is the same industry or not, the products they produce are different, that is, what people call mutual substitutes, of course, there will be competition. The various competitions caused by substitutes will directly affect the competitive strategy of enterprises in different ways. First, because in the entire market, there may be alternatives that can be used by users, which will directly affect the selling price of the products of the existing enterprises and increase the likelihood of profiting from them; Secondly, due to the generation of substitutes in the market, it will directly require all enterprises to continuously innovate their products, improve product quality, or reduce the cost to the minimum on the basis of reducing cost input, otherwise it will directly affect its total sales volume and development goals; Finally, there is a strong correlation with the competitive intensity of substitute producers, which is also affected by the amount of switching costs of product buyers. No matter how good the quality of the alternative, the lower the price, and the less the user needs to convert the cost, the greater the competition for the enterprise [11].

- (1)The hot pot products are basically the same, Haidilao hotpot is mainly known for Mandarin duck and clear soup hot pot, and the hot pot dish is mixed with meat and vegetables for shabu soup [12]. It is the most common type of hot pot on the market and

is easily replaced. However, Haidilao hotpot has some advantages in service and has certain irreplaceability.

- (2)The hot pot is deeply loved by the majority of consumers because of its lively, convenient and tasteless characteristics [13]. Western, fast food, and other types of Chinese food are his main alternatives. For example, McDonald's, KFC and other products, they are 24-hour business, the production process is more standardized, customers in the consumption, can comprehensively consider their own like, convenience, time and price and other factors. However, Haidilao hotpot also has its own unique experience model, so it can attract more customers' love, and there are many customers who have high loyalty to the Haidilao brand, so the emergence of alternatives will not have a great impact on the company's market share [14].

To sum up: the competitiveness of alternatives is not very large.

2.3 Bargaining Power of Suppliers

In the process of managing goods, suppliers can directly affect the profitability of enterprises by reducing unit value, reducing service quality and reducing input factor prices [15]. Suppliers will have more bargaining power in situations where supply is in the hands of a few large companies and where their industry is more concentrated than the one they sell to; There are no good alternatives to the supplier's products; For the entire supplier industry, the enterprises in the industry are not their important customers [16]; The supplier's products are very critical to the buyer; The supplier's products have made high conversion costs for industry enterprises; Suppliers are moving forward, a threat to the buyer's business.

Haidilao hotpot has always implemented backward integration, with 1 raw material production base and 1 large-scale modern logistics center, which is a national chain store, and the demand for raw materials in the production process is large, which invisibly improves its bargaining power. The raw material market such as beverages, tableware and agricultural and sideline products basically belongs to the market of perfect competition, while the main ingredients of hot pot are mostly melons, fruits and vegetables, meat, etc., coupled with the continuous reduction of the price of some vegetables, oversupply, and thus conducive to the development of enterprises. In the past, due to the impact of Shuanghui's

clenbuterol problem, companies have strict requirements for food safety, which has led to a serious impact on meat supply and a relatively favorable position for enterprises. But for suppliers, there is no greater bargaining power.

2.4 The Bargaining Power of the Purchaser

Buyers always want to buy a product at the lowest possible price, at which the supplier industry can get the lowest acceptable return on investment. To keep costs down, buyers often bargain, demanding higher quality, better service, and lower prices. Competition among businesses within the industry also makes buyers profitable [17]. Customers will have more bargaining power in situations where their purchases account for a large proportion of the industry's output; Sales revenue generated by the purchase of products accounts for the majority of the supplier's annual revenue; Ability to switch to other commodities without costing a great price; Industry products are not very different or standardized, and there is a possibility that buyers will integrate backwards into suppliers [18].

- (1)The hot pot is a variety of materials, fine and appropriate, flexible eating methods, moderate price, and is a catering form suitable for multiple consumption levels. It has enough consumer groups to adapt to the different needs of consumers [19]. In particular, Haidilao's operation has been improved, such as often having customers queue up to eat, etc., which determines the large number of Haidilao's purchasing groups.
- (2)In recent years, the momentum of the development of hot pot enterprises has been amazing, and many enterprises in the market have been listed in the list of catering hundred strong. It can be seen that the impact of the hot pot industry in the Chinese market is very large, but it also has greater competitiveness. Due to its high-quality service, Haidilao hotpot has still achieved good operating performance after competing with many enterprises, and its market competitiveness is also increasing.

2.5 The Degree of Fierce Competition Between Existing Competitors

Because companies in an industry are mutually

restrictive, the behavior of enterprises usually triggers a competitive reaction. In many industries, businesses are actively competing [20]. If firms are challenged by competitors or recognize an opportunity to significantly improve their market position, competitive behavior among competitors will intensify. In the hot pot industry, the competition is monopoly competition, and the competition in the current hot pot industry is mainly manifested in terms of product form, dining environment, product service quality and price [21]. The competition between the same industry is more obvious, but the competition is concentrated in large hot pot chain enterprises, and small hot pot enterprises are generally difficult to compete with.

- (1)Diversity of competitors: The business content of each hot pot is different.
- (2)Industry growth: The improvement of the economic level makes people's consumption bigger and bigger, and the demand also increases [22]. Due to the direct influence of Sichuan-style hot pot and Chongqing hot pot, the development of Haidilao hotpot industry has ushered in new hope.
- (3)Fixed cost: The hot pot industry is characterized by low-end and popular, and the labor type is labor-intensive and asset-intensive industries, and the fixed cost required is not high.
- (4)Conversion cost: The liquidity of assets is relatively good, and other services needed by the catering industry can be directly provided through conversion.
- (5)Exit barriers: It is relatively easy to compare with the operation related to the sale of assets, so it can be found that the exit barriers are not high in the market.

To sum up: the industry has strong internal competition.

3 Conclusion

In recent years, the catering industry has developed rapidly. Especially the hot pot industry, in its development process has emerged in a lot of competitors. This paper uses the five-force model to analyze, and the following conclusion: there is no high barrier to the entry of the hot pot industry, but Haidilao has some advantages in service, has a certain irreplaceable. The industry has a strong internal competition.

Although Haidilao hotpot does not have obvious

advantages in terms of taste and environment, it is becoming more and more favored by consumers with the intensification of market competition. It mainly reflects the personalized service related to itself, and has quality service. Effective management is undoubtedly the primary factor to ensure the normal operation of an enterprise, and it is also an important pillar to support its rapid development. Haidilao hotpot with its unique humanized, institutionalized organizational management model, the formation of "Haidilao-style" strategic management characteristics, and won popularity, shaping a good brand image, other enterprises in the same industry can not do this. Therefore, Haidilao hotpot should maintain such an advantageous position in the hot pot industry, and in order to better develop the product in the future, it is necessary to achieve continuous updating of personalized services, the courage to innovate, and let these advantages be transformed into the core competitiveness of Haidilao's development process. At the same time, it is necessary to constantly innovate in taste and make it more competitive with traditional hot pot.

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Biography

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