

# Analysis of the Catering Sector's Adjustment Plan following the COVID-19 Pandemic

Yike Han\*

Business School, Macau University of Science and Technology, 230001, Hefei, China

**Abstract.** The conventional catering business was severely impacted by the COVID-19 pandemic, but this also markedly expedited the industry's shift to digitalisation. According to the report, the catering industry modified its business plan in response to the COVID-19 pandemic, taking into account the extensive effects on the sector. Following the epidemic's conclusion, the catering business has experienced a rapid digital change due to the persistent price increases. Contactless delivery, online ordering, and intelligent management have emerged as the key themes. Additionally, catering businesses need to improve client trust and focus on food safety and hygiene. At the same time, businesses are now competing primarily on enhancing customer experience and service quality. In conclusion, this research recommends that catering companies should be able to adapt their business plans in order to handle future emergencies. By making these changes, the catering sector may both recover from the pandemic's losses and achieve sustained growth in the years following.

## 1 Introduction

The COVID-19 epidemic's 2020 outbreak had a major detrimental effect on the catering sector. Prior to the COVID-19 pandemic, the catering industry's sales revenue was increasing as a result of the growing economy and ongoing improvements in people's standards of living. Restaurants at the period mostly catered to dine-in customers, and the number of physical stores kept growing. Food safety concerns, the home quarantine policy, and rising raw material costs were some of the issues that caused the catering business to suffer significant losses following the COVID-19 outbreak. Due to excessive expenses and low revenue, several eateries around the country were forced to close. Consumption has increased and the economy has grown since the COVID-19 pandemic ended, but there have also been a lot of changes from the pre-pandemic state. In order to lessen the effects of the epidemic, draw in customers, increase profits to ensure long-term operations, and further foster the growth of the catering industry, numerous restaurants have promptly implemented transformation policies, executed various business strategies in accordance with local policy requirements, and modified their business models based on the needs of the customers.

Different consumer policies and related policy changes in different locations have resulted in varying effects of COVID-19 on the catering industry. According to Abebe and

---

\*Corresponding author: 1220006498@student.must.edu.mo

Charlebois, safety concerns account for half of the Canadian restaurant industry's decision to cut costs. In response, restaurants swiftly introduced contactless dining choices such as third-party delivery, pick-up, and takeaway. This has caused an increase in the number of online orders placed in Canada [1]. Byrd et al. discovered that consumers' declining trust in the safety of the food supply is linked to the catering sector's reduction in sales capacity. They conducted their research on the sales position of the local catering industry in the United States. Customers' decisions to buy are further influenced by the false belief that food packaging may contain viruses and that the likelihood of food harbouring COVID-19 is higher in face-to-face restaurants than in delivery restaurants [2]. By developing a PMT model to investigate customer self-protection awareness, Ryu et al. provided additional evidence that customers have concerns about the safety of the food they are offered at restaurants. Based on their assessment of risk, customers in Phuket, Thailand will decide whether or not to eat at a restaurant. For instance, vaccinated patrons typically feel more comfortable dining in restaurants than non-vaccinated patrons. Therefore, by encouraging patrons to become more conscious of their own safety when dining, restaurants can also boost patron confidence and draw in new business [3]. Xu et al. created a PHARE scale to investigate consumer opinions regarding COVID-19 policy measures. Restaurants should better allocate resources, such as increasing investment in non-contact services like external sales and decreasing investment in upgrading existing equipment, in addition to paying attention to consumers' safety awareness and the safety measures taken, in order to win over customers [4]. In response to the pandemic, high-end restaurants have more latitude in adjusting their policies than low-end eateries like fast food, as noted by Bonfanti et al. On the one hand, they can adapt and offer distinctive takeaway services like fast food; on the other hand, they can also increase customers' intention to choose their meals by combining brand loyalty and trust. By fusing online and offline services, high-end restaurants will guarantee that their patrons enjoy a happy and opulent eating experience, as evidenced by CXM strategies [5]. Kim et al. conducted an analysis of sales data from small and medium-sized catering businesses gathered from nine different Chinese Mainland cities. They found that restaurants with non-contact delivery services saw a significant increase in sales, and that customers preferred restaurants that could offer both online and offline discount coupons or sales discounts. By maintaining its high standards for safety and hygiene and providing excellent service, the restaurant hopes to fortify its ties with patrons and further improve its reputation in the community [6]. German pub and restaurant companies can lessen the negative effects of the pandemic by having adequate assets and reasonable loans; they can also revive their businesses through their food delivery services and government aid policies, according to Neise et al.'s online survey of 623 managers in Germany. Small and medium-sized businesses are more vulnerable to insolvency due to high costs [7]. According to Norris et al., restaurants can work through challenges, boost earnings, and continue to operate by growing their food delivery business, modifying staffing levels and working hours, modifying menu options, and partnering with other eateries. In the event that comparable circumstances arise again, the manager can also promptly modify and oversee restaurant operation procedures to reduce losses [8]. According to Gomes et al.'s study and comparison of restaurant profitability throughout various regions of Spain and Portugal, COVID-19 has had a significant negative impact on local restaurant operations, resulting in the closure of numerous restaurants and the loss of employment. Less Chinese restaurants have less of an effect in these areas, while more restaurants, plenty of tourists, and developed tourism have a bigger impact in these areas. In an effort to combat the challenges, local eateries are actively reducing expenses and expanding their takeaway business [9]. During the COVID-19 epidemic, Cohen et al. conducted a survey of the restaurants that adults with low incomes in the United States opted to visit. Among them, there has been a rise in the consumption of fast food, and although if people choose fast food often prior to the outbreak, their preference for

it has not decreased following it. One possible explanation for this could be the low cost of fast food combined with its ability to deliver food without physical contact, making it an ideal option for home and office workers during the COVID-19 pandemic [10].

Many eateries entered a low state as a result of COVID-19. Many restaurants found it difficult to stay in business due to the high costs and low profits. Nonetheless, other eateries altered their business models by researching shifts in consumer demand and enhanced their service environments and quality of service through digital transformation, takeaway options, increased health measures, and other initiatives. The purpose of this essay is to investigate how, in the wake of the pandemic, the catering industry might enhance its business model, boost profitability, and achieve favourable outcomes by modifying its own sales tactics.

## **2 Effects on the catering sector following the conclusion of the COVID-19 pandemic**

### **2.1 Current circumstances**

Worldwide, eateries have suffered greatly as a result of the outbreak. But the catering business did not bounce back from the epidemic as swiftly as many had anticipated. The catering business is still in a low position because of the significant number of restaurants that have had their registrations cancelled or deregistered—and in some cases, this figure is still rising. The following two factors can be used to categorize the reasons behind this situation.

### **2.2 Reasons**

#### *2.2.1 Constant escalation in prices*

Many supply channels have closed as a result of the pandemic's effects, making it challenging for suppliers to provide. Following the epidemic's termination and the lifting of home quarantine regulations, a large number of consumers resorted to retaliatory consumption, which frequently resulted in a lack of raw materials for the catering sector. The majority of suppliers decided to raise the price of raw materials in order to maximise their earnings and offset the losses brought on by the pandemic. Due to rising expenses, restaurants must likewise increase the price of their food. Using the domestic catering market in China as an example, during the years 2022 to 2023, businesses that deal directly with consumers, such as processed food companies and catering stores, raised their prices one after another. This followed a trend in the catering industry where prices increase every two to three years. In addition, the aim was to boost profits in order to offset any losses. But the effects of the pandemic, such lost wages and job losses, also prevent consumers from actively responding to the general price trend. Additionally, even eateries that are on the verge of bankruptcy are performing worse than before due to this, even with their pricing higher than usual.

#### *2.2.2 The fear of consumption by consumers*

Due to prolonged house quarantines during the outbreak, many consumers have adopted a retaliatory consumption mindset. This mentality is seen in the catering business when customers choose to purchase an excessive amount of their favourite items at once without thinking about whether they will be able to complete them. But as the appetite for retaliation progressively wanes, people start making more sensible eating choices. Economic

uncertainty and worries about how the economy will develop in the future, which could result in lower income and unemployment, have impacted consumer confidence. Consumption patterns have shifted, with options emphasising affordability. Restaurants with a strong online following that drew patrons prior to the outbreak are frequently losing favour with clients. Using the domestic catering market in China as an example, low-cost eateries like Zibo Barbecue and Tianshui Spicy Hot Pot are well-liked by customers, but high-end dishes like Zhong Xuegao and Naixue's tea are becoming unprofitable.

### **2.3 Colour illustrations**

You are free to use colour illustrations for the online version of the proceedings, but any print version will be printed in black and white unless special arrangements have been made with the conference organiser. Please check whether this is the case. If the print version will be black and white only, you should check your figure captions carefully and remove any reference to colour in the illustration and text. In addition, some colour figures will degrade or suffer loss of information when converted to black and white, and this should be considered when preparing them.

## **3 Effect analysis and adjustment approach**

Certain catering businesses had challenges when the pandemic struck a severe blow to the world catering market, but they were able to turn setbacks into gains by adapting their organizational structures and policies. In the years following the pandemic, they made a strong name for themselves and made notable progress in getting back to business and turning a profit. This is a detailed examination of certain businesses' attempts to boost sales through policy changes.

### **3.1 Automation and digital transformation**

One of the key strategies for the catering sector to recover from the pandemic and continue operating is digital transformation. Restaurants may lower labour costs, increase customer satisfaction, and improve operational efficiency by implementing cutting-edge technologies like mobile payments and self-service ordering.

Following the epidemic, Haidilao expedited its digital transformation by introducing contactless delivery services and self-service ordering platforms to cut down on manual interaction and boost customer satisfaction. Haidilao's income in 2021 increased by 22% year over year to over 23.3 billion yuan. The company increased sales to 24.8 billion yuan in 2022, a 6.4% rise from the previous year, by optimising its meal delivery business and continuing to grow its digital offerings. By 2023, the revenue is expected to expand by 10% annually to RMB 27.3 billion. Success in digitisation and automation raises consumer security and satisfaction levels in addition to increasing operational efficiency.

### **3.2 Delivery services' expansion**

Takeaway and delivery services have taken over as the primary means for people to get food and drink during the pandemic, and they are also a crucial source of revenue for catering businesses. Following the epidemic, meal delivery services have become an essential part of peoples' everyday lives and a way for them to get food and drink. Thus, by growing their food delivery channels and partnering with outside food delivery platforms, businesses may draw in more clients and boost revenue.

Following the epidemic, Starbucks greatly increased the scope of its food delivery and delivery services, collaborating with services like DoorDash and Uber Eats to offer flexible delivery choices. Starbucks' global takeaway division generated \$1.9 billion in revenue in 2021, or 6% of total sales. Food delivery revenue reached \$2.6 billion in 2022, making up 8% of the total. By 2023, Starbucks' meal delivery business will have grown to \$3.5 billion in revenue, or 9% of total revenue. This growth will be attributed to a steady increase in the business's contribution.

### **3.3 Menu modification and cost management**

Increasing profitability requires modifying menus and keeping costs under control. Following the outbreak, a lot of eateries have also made the decision to enhance supply chain management in order to save expenses and boost revenues, as well as optimise their menus to introduce meals that are more in line with current tastes.

Following the outbreak, Pizzahut changed its offerings, added a new seasonal product and pizza taste, expanded its takeaway and delivery choices and improved its supply chain in an effort to cut expenses. Pizzahut estimates that its gross profit margin in 2021 will be 37.3%, with a gross profit of around \$1.12 billion and \$3.01 billion in total revenue. Through cost reduction and menu optimisation, the company will raise its gross profit to \$1.25 billion by 2022, with a gross profit margin of roughly 39.2% and \$3.18 billion in total revenue. With a gross profit of 1.38 billion US dollars, a gross profit rate of 41.6%, and total revenue of roughly 3.32 billion US dollars in 2023, Pizzahut will have significantly increased its operational efficiency.

### **3.4 Membership**

A membership system is a crucial tool for catering businesses looking to increase brand loyalty. When the epidemic reaches a later stage, a number of benefits and points earned through the membership system can draw in new clients and keep existing ones coming back with tailored membership service recommendations, which will boost revenue and profits. In an effort to foster greater customer loyalty, McDonald's has introduced a membership points program. By making purchases, members earn points that can be used for deals or merchandise. In the US market, McDonald's USA reported a 13.8% gain in same-store sales and a 25% increase in membership in 2021. Similar membership programs will be promoted globally by the corporation by 2022, which is expected to boost global same-store sales by 6.1% and raise customer return rates significantly. With worldwide same-store sales rising by 9.6% in 2023, the membership program will still be the main driver of sales growth and strengthen brand loyalty among consumers.

### **3.5 Strengthen safety and hygienic practices within stores**

Owing to the COVID-19 pandemic, individuals are more aware of health-related issues. When choosing restaurants to eat at after the pandemic, consumers will pay close attention to the food safety and hygienic practices in order to avoid contracting COVID-19 once more. Thus, a restaurant's cleanliness, food safety protocols, and services are especially important in gaining back the trust of its patrons. To increase patrons' sense of safety and draw them in for a meal, restaurants can raise the bar on their hygiene service standards by enforcing stricter cleaning and disinfection procedures within the establishment or setting up distinct dining areas.

Following the pandemic, Chipotle stepped up its in-store cleanliness and safety protocols. These included implementing new health and safety regulations, stepping up personnel health

checks, boosting cleaning frequency, and upgrading food processing standards. Chipotle's same-store sales rose by 11% in 2021, bringing in over \$7.1 billion in revenue overall. These actions have increased client confidence and assisted the business in progressively increasing customer traffic. Chipotle's sales are projected to rise by 13% in same-store sales and \$8 billion in overall revenue by 2022. Customer satisfaction has significantly improved, according to the company. Chipotle's recovery and development were further aided in 2023 by its continuous focus on sanitation, as seen by a 15% increase in same-store sales and a \$9 billion total in revenue.

## **4 Motivation and opportunities**

### **4.1 The need for technology application and digital transformation**

The catering industry's online ordering and delivery services have expanded dramatically throughout the epidemic, highlighting the need of digital transformation. In order to improve operational efficiency and customer experience, the catering industry must continue to promote digitalisation in the future. Examples of such businesses include Haidilao, which demonstrates how to use technological tools like artificial intelligence, data analysis, and intelligent ordering. To help catering businesses expedite their digital transformation, the government can offer subsidies for technical transformation, tax breaks, and other forms of support when it comes to introducing and using innovative technologies.

### **4.2 The significance of standards for food safety and hygiene**

The outbreak has made the catering business more susceptible when it comes to managing cleanliness and food safety. Prefabricated meals are another concern regarding food safety that arises from the digitisation of eateries. To meet their goal of serving customers fast and often, many restaurants serve pre-made meals to their patrons, which leads to additional food safety concerns. This motivates us to advocate for the establishment and enhancement of food safety monitoring systems, frequent inspections, stringent law enforcement, and enhanced management of food safety and hygiene standards in catering businesses in order to safeguard consumer health. To guarantee that restaurants can uphold high standards of hygiene management and win over patrons, the government should create and promote new hygiene standards for pre-packaged meals as well as offer training and direction to catering businesses.

### **4.3 Protection of the environment and sustainable development**

Consumer awareness of environmental preservation and sustainable development has increased since the outbreak. The food service sector ought to take proactive steps to preserve the environment by promoting eco-friendly packaging, cutting back on single-use plastics, conserving energy, and lowering emissions. To encourage catering businesses to incorporate sustainable development principles into their operations and create a win-win situation that balances environmental preservation with financial gains, the government can offer environmental incentives, green certification, and technical assistance.

### **4.4 Diverse and creative business plans**

The pandemic has forced the catering sector to quickly adjust to new circumstances and create fresh business strategies, such cloud restaurants and contactless delivery. This

experience teaches us that the catering business must continue to innovate and grow its range of business models in the future. Policies ought to encourage the innovation of catering businesses' goods and services, encourage the diversification of their business models, and adapt to shifts in consumer demand.

## 5 Conclusion

This article performs several comparisons and looks into the sales position of well-known catering businesses. First, it comes to the conclusion that a key strategy for catering businesses to deal with the effects of the pandemic is digital transformation. Furthermore, the pandemic has resulted in notable alterations to the eating patterns of consumers, as evidenced by the notable surge in demand for online ordering and delivery services. Therefore, catering businesses can greatly increase operational efficiency and customer happiness by setting up and optimising online ordering platforms and enhancing the effectiveness of delivery services. Catering businesses can also boost revenues by implementing a membership system, modifying menus, and managing expenses. Finally, there should be a greater focus on safety and hygiene in catering businesses. Customers now have higher standards for the cleanliness of the catering area as a result of the outbreak. Businesses have improved hygiene management by enforcing stringent cleaning guidelines, keeping an eye on workers' health, establishing transparent hygiene management systems, and showing customers how to apply hygiene measures. All of these actions have contributed to an increase in customer loyalty and brand reputation. Following the COVID-19 pandemic, the catering industry should prioritise digital transformation and stringent health management. It should also adjust to changing consumer demands by utilising innovative products and services, green management practices, and improved customer service. By doing this, catering businesses will be able to grow steadily and gain a competitive edge in the future, in addition to properly addressing the issues posed by the epidemic.

## References

1. Abebe, G. K., Charlebois, S., & Music, J, The impact of COVID-19 on Canadian restaurant operations and the likelihood of pivoting off-dining options post-COVID-19. *Transportation Research Interdisciplinary Perspectives*, 21, 100917 (2023)
2. Byrd, K., Her, E., Fan, A., Almanza, B., Liu, Y., & Leitch, S, Restaurants and COVID-19: What are consumers' risk perceptions about restaurant food and its packaging during the pandemic?. *International Journal of Hospitality Management*, 94, 102821 (2021)
3. Ryu, K., Jarumaneerat, T., Promsivapallop, P., & Kim, M, What influences restaurant dining out and diners' self-protective intention during the COVID-19 pandemic: Applying the Protection Motivation Theory. *International Journal of Hospitality Management*, 109, 103400 (2023)
4. Xu, Y., Singh, S., Olson, E. D., & Jeong, E. L, Consumers' perceived effectiveness of COVID-19 mitigation strategies in restaurants: What went well and what could we do better?. *International Journal of Hospitality Management*, 103, 103206 (2022)
5. Bonfanti, A., Vigolo, V., Yfantidou, G., & Gutuleac, R, Customer experience management strategies in upscale restaurants: Lessons from the Covid-19 pandemic. *International Journal of Hospitality Management*, 109, 103416 (2023)

6. Kim, J., Kim, J., & Wang, Y, Uncertainty risks and strategic reaction of restaurant firms amid COVID-19: Evidence from China. *International Journal of Hospitality Management*, 92, 102752 (2021)
7. Neise, T., Verfürth, P., & Franz, M, Rapid responding to the COVID-19 crisis: Assessing the resilience in the German restaurant and bar industry. *International Journal of Hospitality Management*, 96, 102960 (2021)
8. Norris, C. L., Taylor Jr, S., & Taylor, D. C, Pivot! How the restaurant industry adapted during COVID-19 restrictions. *International Hospitality Review*, 35(2), 132-155 (2021)
9. Gomes, C., Malheiros, C., Campos, F., & Lima Santos, L, COVID-19's Impact on the Restaurant Industry. *Sustainability*, 14(18), 11544 (2022)
10. Cohen, J. F., Posluszny, H., Falbe, J., Mueller, M. P., Gearhardt, A. N., Leung, C. W., & Wolfson, J. A, Restaurant dining during the COVID-19 pandemic among adults with low-income in the United States. *Appetite*, 173, 105976 (2022)