A TURNAROUND STRATEGY FOR HAIDILAO AFTER THE PANDEMIC

BY

MR. NON NANTHAMANOCH

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION PROGRAM IN GLOBAL BUSINESS MANAGEMENT

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ENTITLED

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the degree of Master of Business Administration Program in Global Business Management (International Program)

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ABSTRACT

Haidilao is a Chinese Hot pot chain restaurant with branches in many countries worldwide. Haidilao has grown to have more than 1,000 stores in a few years. Its critical success factor is providing service beyond customers' expectations.

Although branch expansion continues, the business performance of Haidilao overseas is reversed. The company recognized losses three years in a row from 2019-2021 during the global pandemic.

This independent study aims to analyze the causes of the company's losses. Also, provide appropriate recommendations for turning around its business in the overseas market, particularly in Thailand. This research would utilize the company's secondary data from the annual report and the Application Proof of Super Hi International Holding LTD., the overseas business that recently spun off from its mother company.

This research can be used by chain restaurants in the food and beverage industry to improve business performance by cutting costs and increasing sales to achieve the company's expected profits.

Keywords: Haidilao Hotpot, Turnaround strategy, Food and beverage industry.

ACKNOWLEDGEMENTS

I am writing to express my gratitude to everyone who helped and supported me throughout this Independent Study.

I would like to thank my advisor, Associate Professor Dr. Fredric William Swierczek, who provided me with insightful guidance and comprehensive viewpoints on this project. With his helpful advice, I could accomplish the project with a profound understanding of turnaround strategy for the Food and Beverage industry.

I want to convey my sincere gratitude to Dr. Worapong Janyangyuen, the chairman of the independent research committee, for constructive advice on my research.

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Mr. Non Nanthamanoch

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CHAPTER 1
INTRODUCTION

This independent study is a consultant project for Super Hi International holding LTD. An overseas subsidiary company of Haidilao International Holding LTD. The purpose of this project is to analyze the recent business performance of Haidilao International Holding LTD. and provide proper suggestions for the post-spin-off of Super Hi International holding LTD, aiming to turn around its business performance in Thailand.

This independent study seeks to address the solutions through a case study utilizing secondary data from prior research and from consulting companies.

1.1 History of Haidilao Hotpot.

Haidilao International Holding Ltd. doing business as Haidilao hotpot. The largest Chinese hotpot chain restaurant in China and overseas. It was founded in Jianyang, Sichuan, China in 1994 by Zhang Yong along with three other founders. Haidilao constantly maintains its aggressive expansion plan with approximately 70% growth in terms of the number of outlets by year. With an average daily table turnover rate (i.e., the number of parties hosted per table per day) of 5.0, Haidilao Hot Pot served more than 160 million customers in 2018. With more than 60,000 employees, Haidilao Hot Pot has more than 36 million VIP members.

1.1.1 Global expansion.

Its rapid development has amassed over 180 chains worldwide, Chinese than 20,000 employees, and a 5 billion RMB (nearly US$0.77 billion) yearly revenue. By June 30, 2020, Haidilao Hot Pot had 935 stores.

The business also provides services in Hong Kong, Malaysia, Singapore, Australia, Taiwan, the United Kingdom, Canada, the United States, Thailand, Indonesia, Vietnam, South Korea, and Japan, in addition to its numerous locations throughout China.

Haidilao opened its first restaurant outside of mainland China in Clarke Quay, Singapore, in 2012. The following year, it opened its first outlet in the US at Westfield Santa Anita (California). Haidilao kept expanding its network internationally, breaking into the South Korean, Taiwanese, and Japanese markets in 2014, the Japanese market in 2015, and the Hong Kong market in 2017.

1.1.2 IPO.

Haidilao intended to increase the IPO from $600 million to $700 million in 2008, which might increase its attractiveness on the international market.

In 2017, Haidilao's revenue increased by 36% to 10.64 billion Yuan, while its net profit improved by 22% to 1.19 billion yuan. In 2018, Haidilao raised over $1 billion. USD in an Initial Public Offering (IPO) in the Hong Kong stock exchange

1.1.3 Key success factors.

Unlike other competitors, providing extraordinary service quality beyond customer expectations is a Strategic Competitive Advantage of Haidilao. These are examples of its service design.

Late closing.

Haidilao addresses its position of capturing all kinds of customers. By extending its closing time to 6 am. These could increase its table utilization while its occupancy expense wouldn't increase.

Customer waiting time management.

There are usually long queues in many Haidilao restaurants. Customers typically spend 2 – 3 hours just waiting for their table, especially during peak hours. While you can't provide more tables and seats, Haidilao turns those boring times into joyful times by delivering.

Free-flow drinks and snacks.

Free-flow drinks, snacks, and ice cream in the customer waiting area. All customers are welcome to consume those snacks for free.

Figure 1.1 Free-flow snacks like popcorn and ice cream while queuing.
Source: https://thesmartlocal.com/read/hai-di-lao-freebies/

Card and board games.

If waiting is boring, there are Rubik's cubes, cards, and board games to kill time till your table is ready.

Figure 1.2 Items to keep you entertain while waiting...how thoughtful.
Source: https://www.lifestinymiracles.com/2013/09/hai-di-lao-hot-pot-one-pot-endless-

Delicate manicure services.

Haidilao also offer free manicure services for ladies who have taken a queue number from the iPad in front of the restaurant.

Figure 1.3 A customer receiving a manicure while waiting for a table.
Source: https://www.nytimes.com/2018/09/25/business/haidilao-china-hotpot-ipo.html

Extraordinary activities during meal.

Offers great service on the table.

Haidilao's server only takes care of 2 tables, while the average server is responsible for 4-5 tables. These designs could level up the close service quality and customer experiences.

Figure 1.4 Haidilao has seen falling table turnover rates and profits as consumers dine out less.
Source: https://www.straitstimes.com/business/companies-markets/hot-pot-chain-haidilao-slows-growth-as-covid-19-curbs-consumer-appetite

If you dine in Haidilao and order noodles. I would see a fantastic noodle dance. This dance is an interactive activity with the customers and the dancer.

Figure 1.5 Noodle dance VDO.
Source: https://radii.co/article/haidilao-how-a-hotpot-restaurant-plans-to-conquer-the-world-with-manicures-and-noodle-dances

Kid playground with nanny.

Haidilao also provides a Kid playroom with a nanny to take care of children while parents are dining in its restaurants.

Figure 1.6 Kids room
Source: https://www.gourmetandcuisine.com/happening/detail/630

1.2 Crisis time during the global pandemic.

Since 2017, Haidilao has constantly grown in terms of revenue and profit. With 58% CARG in revenue and a constant net profit margin of around 9 percent. However, nothing lasts forever. At the beginning of the year 2020, the whole world faced the global pandemic Covid-19. Haidilao kept its aggressive expansion plan by opening 544 new restaurants in the first half of 2020, an average of 1.5 stores per day. It was its fastest pace ever. In the second half of the year, it adjusted its opening plan by opening 299 restaurants. Even though the revenue increased, reaching 28.61 billion Yuan, the profit was the opposite. It plummeted to 0.31 billion Yaun in 2020 while was 2.34 Billion Yuan in 2019. More than 86% decreased.

In the year 2021, there were more challenges for the company. Haidilao opened 421 new restaurants and closed 276 restaurants. As a result, its revenue increased to 41.11 Billion Yuan (+43.7% from the previous year). On the other hand, Haidilao announced losses of 4.16 billion Yuan. It was the first loss ever.

Haidilao used the same aggressive strategy for overseas business by opening 36 restaurants in 2020 (95% growth compared to 2019). And 20 more restaurants in 2021 (27% growth compared to 2020). But if we look at its profitability, the figures are even worse. The company declared a loss in 2019, 2020, and 2021. And the losses were 33, 56, and 149 Million US Dollars, respectively. For net profit margin, they were -14.3%, -25.3%, and -46.7% respectively.

1.2.1 Consequences after the pandemic.

Haidilao announced the launch of the "Woodpecker" plan. The main contents of the plan are the following:

- Permanently Closed 260 restaurants and temporarily closed 32 restaurants.

  The main reasons are:
  - Relatively Low customer traffic.
  - Unsatisfying operation performance.
  - High density of Haidilao restaurants nearby (cannibalization)
- Reorganization of the restaurant management system.
- Rebuilding and strengthening its functional department.
- Emphasizing adherence to corporate culture.
- Zhang Yong the founder, stepped down as CEO of the group in March 2022.
- Spin off its overseas business in July 2022.

1.3 Objective of this study

This Independent Study is the business consulting project for Super Hi International Holdings (the overseas subsidiary company of Haidilao International Holding Ltd.). The objective of this independent study is:

1. To provide proper recommendations for Super Hi International Holding Ltd., how to achieve a Net Profit Margin within 3 years.

1.1 First year: Minimize loss situation by achieving -10% loss in the first year.

1.2 The second year: Achieve 3% Net Profit Margin in the second year.

1.3 The third year: Achieve 10% New Profit Margin in the third year.

CHAPTER 2
REVIEW OF LITERATURE

My independent study focuses on turnaround strategies for Super Hi International Holding, the global F&B hotpot business. Here are the prior research and articles related to my project.

2.1 Key Financial Ratio & Prime costs for F&B business

2.1.1 There is an article from Investopedia written by David Gorton mentioning "**Key Financial Ratios for Restaurant Companies**".

Key figures to monitor:

- Specific Food Cost to Total Cost
- Inventory Turnover
- Sales per Square Foot
- Food/Beverage Expenses to Sales
- Current Ratio

I can use this frame to measure Super Hi International Holding's business efficiency and benchmark its performance with its mother company and other rivals in the same F&B category in Thailand.

2.1.2 Cynthia Vespia stated in "**How to Efficiently Manage Restaurant Labor Costs**", Food costs and labor costs should be less than 60% of the revenue. This number is a rule of thumb for F&B businesses to achieve an expected Net Profit Margin.

2.1.3 JUSTIN GUINN suggested in **" Food Cost Formula: How to Calculate Your Food Cost Percentage"** that an average full-service restaurant's Food Cost to Sales is between 28%- 32%. There are 4 benefits to calculating food cost percentage.

1. Spend and earn smarter.

You may determine whether each menu item falls within your food cost margins by pricing each item based on COGS and the percentage of food costs. As a result, you'll know which menu items to advertise and which are the most profitable.

2. Menu engineering efficiently.

You can review menu items that aren't selling well by using the food cost percentage data embedded into your restaurant's point-of-sale system. The knowledge you need to create a beneficial menu price strategy will be provided by menu engineering based on the percentage of food costs.

3. Better understand how food supplies impact costs and profitability.

Understanding the consequences of the Russia and Ukraine war, which affect oil prices, cost of production, and food raw materials. You can avoid launching high food cost promotions by understanding this mechanism.

4. Intelligently experiment with new recipes.

Make a new recipe and see if it aligns with your ideal food cost percentage – more on the ideal food cost percentage below. If it doesn't, see if you can adjust the recipe at all, or maybe you store it away for another time.

2.1.4 An article from Restaurant365, "**How to Calculate Restaurant Labor Cost**", urged that a good percentage of the labor cost of Sales for fine dining should be 30%-35%. The article also mentioned how to reduce labor costs in a restaurant.

1. Schedule fewer employees on each shift.

There must be a delicate balance between assigning too few staff members and being overworked and eventually burning out. On the other hand, you'll be stuck paying workers idle if there are too many.

2. Track Labor Cost Daily and Watch Your Weekly Average.

You can estimate daily labor costs by calculating daily expenses divided by your Sales from the point-of-sale (POS) system. Utilizing these methods would help you control labor costs to sales efficiently.

3. Schedule Restaurant Staff Based on a Sales Forecast.

You can use the same calculation to design the daily workforce required in your restaurant based on the expected daily sales forecast. Adaptive workforce design can be implemented by using this concept.

4. Implement Restaurant Technology.

Utilizing technology made specifically for restaurants can drastically lower labor expenses, giving you more money to pay staff and enhance customer service. e.g., service robot, self-ordering tablet, or QR code.

5. Optimize Restaurant Operations Using the New Steps of Service.

Full-service restaurants have operated in the same way for many years. However, introducing new kinds of restaurants which minimize the number of staff would sustainably reduce business labor costs.

2.1.5 Commercial One Broker mentioned in **"How Much Rent Can I Afford?"** that monthly rental costs should be 5%-10% of their gross sales. They also mention Usable and Rentable Square Feet and what's the difference?

Usable square feet: The usable square footage is the area that your company will inhabit. Private bathrooms and closets are included with this.

Rentable Square Feet: Your rentable square feet consist of the usable square feet plus a portion for any shared common areas. A share equivalent to your lease space will be used to pay for the communal areas. Bathrooms, elevators, stairwells, corridors, and shared meeting rooms are a few common areas in a building.

2.1.6 James Chen mentioned about **Same-Store-Sales** in investopedia.com.

What is Same-Store-Sales?

Same-Store-Sales is a financial indicator used by businesses in the retail sector to assess the total dollar amount of sales in the company's stores that have been open for a year or more. Comparing revenues for the current period to revenues for the same period in the past, for instance, comparing first-quarter 2020 revenues to first-quarter 2019 revenues, same-store sales statistics allow for a performance comparison for the established stores of a retail chain over a given time period, such as a fiscal year or quarter or a calendar year or quarter.

Understanding Same-Store Sales

Investors can determine whether a portion of a company's current sales revenues is attributable to sales growth in existing locations and which amount is attributable to the establishment of new stores by looking at same-store sales numbers.

Same-store sales are also known as comparable-store sales, SSS, or identical-store sales.

Same-store sales data is shown as a percentage representing the proportionate amount of revenue growth or decline. For instance, a same-store sales statistic of 7% means that overall dollar revenues at the current locations of a retail chain increased by 7% over the same period from the prior year.

Why Same-Store Sales Matter?

Same-store sales data is a crucial component of analysis for a retail chain's management and investors assessing the chain's present and expected future performance. The success of a retail chain's management in generating revenue growth from its current assets is regularly evaluated by market analysts using same-store sales.

Investors and market analysts prefer same-store sales data that significantly increase. When a firm's revenue growth is primarily attributable to the opening of additional stores, it may be a sign that consumer demand for its goods is levelling off and that bit further revenue growth can be anticipated once the company hits a saturation point in terms of the number of locations.

Retail chain management can also benefit from same-store sales data when deciding what to do with current stores and potential new sites in the future. Changes in prices, a store's customer base, or the average amount of goods a consumer buys all significantly impact same-store sales, which can rise or fall as a result. It might be helpful for the business to make decisions if the company's management digs deep into same-store sales data to identify the precise reason for the revenue shift. A new or current competitor may offer lower prices on essential products that the company's stores sell, causing a drop in sales income. Additionally, it's crucial to understand whether an increase in sales is primarily due to luring new clients or the existing clientele making more significant purchases.

2.2 All Things To Know About Net Operating Income

There is an article from Ziptemperaturthate that mentions in "**All Things To Know About Net Operating Income**" why it is so essential for F&B business and how to control it. I will use this framework to analyze Super Hi's business performance before suggesting solutions.

2.3 Turnaround Strategies

For the turnaround strategies, I am referring to **" Changing Tires on a Moving Car: Corporate Turnarounds in the Service Industry,"** by Achim Schmitt, Kathryn Rudie Harrigan, and Steffen Raub.

- The study examined the **retrenchment strategies** to minimize input resources, improve efficiency, stabilize operations, and restore profitability. These strategies can be utilized for Super Hi's turnaround process.
- Moreover, the **recovery strategies** emphasize growth and innovation to reposition the company towards improving products/ services and expanding markets.
- The analysis found that **retrenchment** efforts could be practical initially, but adding simultaneous **recovery** efforts magnified the firms' turnaround performance.

CHAPTER 3
METHODOLOGY

This Independent Study will utilize the secondary data from the company's Annual report and the Application Proof of Super Hi International Holding Ltd. as well as its competitors on the market, which are 1. Haidilao International (its mother company which operates in mainland China), 2. MK Suki, Thailand's most prominent hot pot chain restaurant, and 3. Suki Teenoi, the fastest growth hot pot buffet in Thailand.

Here are the implementation steps.

3.1 Data collection from Annual report and Application Proof of Super Hi International Holding Ltd.

3.2 Data analysis:

- Performance benchmarking among Super Hi, Haidilao, MK Suki (market rival), Suki Teenoi (market rival)
- Major cost structure benchmarking and analysis.
- Specify the causes of the problem.

3.3 Propose turnaround solutions

3.3.1 Retrenchment strategies

(1) Quick win solutions for the 1st year.

- Comparing Net Operating Income by branches before and after the pandemic.
- Propose closure strategy for Negative NOI and cash flow.
- Manpower management to minimize labor costs.
- Set up proper Manpower quota based on Sales with monthly adaptive.

- Set up a Manpower ratio between permanent and part- time workforce.

(2) Medium plan for the 2nd year.

- Supply chain management to minimize Food costs.
- Centralize / Decentralize concept.
- Minimize Food Costs by purchasing techniques for seasonal products.
- Rental cost management to minimize rental costs.
- Set up proper rental schemes for each type of restaurant based on Sales estimation.
- % Gross Profit, Fixed rental, leasehold.

3.3.2 Recovery strategies

(1) Long-term plan to sustain its business for the 3rd year.

- Synchronize all prior strategies and techniques.
- Review opening strategy to sustain its business.
- Set up restaurant closure protocol to minimize long-term loss.
- Penetrate more local customers.
- Periodically monitor Same Store Sales Growth outlet by outlet.

CHAPTER 4
ANALYZE THE CAUSE OF THE PROBLEMS.

In this chapter, I would like to understand the causes of the problem which made Super Hi. International Holding Ltd. faced loss results for more than 3 years in a row.

Restaurant expansion analysis

Firstly, I need to review the number of its restaurants by year compared with Haidilao International. The mother company mainly operates in mainland China to see if they have the same expansion policy or not. Secondly, I try to find another hot pot restaurant and benchmark them together. In this case, I chose MK Suki because MK suki is one of the most prominent chain hot pot restaurants which monopolized the Thailand market.

4.1 Comparing the number of restaurants by year

4.1.1 Super Hi International Holding (Overseas Market)

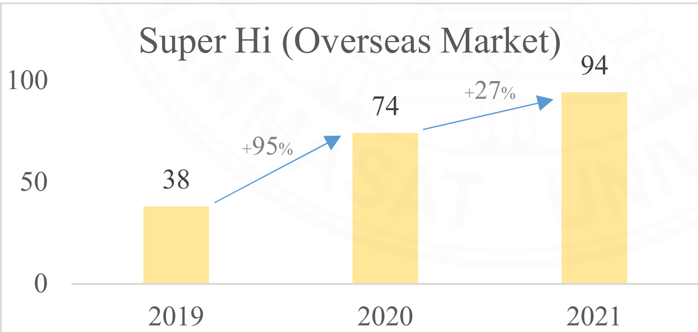

Figure 4.1 Comparing number of restaurants by year, Super Hi International Holding (Overseas Market)

- In 2020, Super Hi opened 36 new restaurants.
- 95% growth compared to the earlier year.
- In 2021, Super Hi opened 20 new restaurants.
- 27% growth compared to the earlier year.

4.1.2 Haidilao Internation Holding (China Mainland)

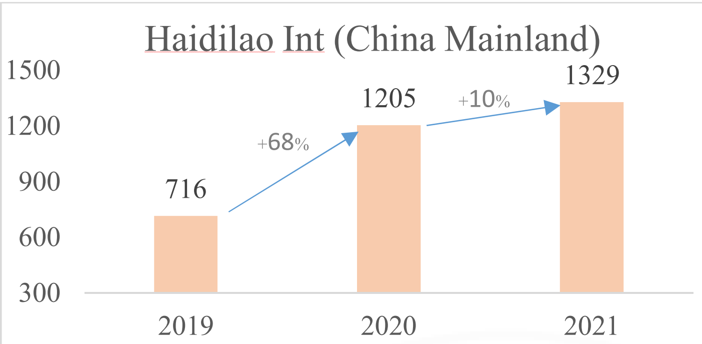

Figure 4.2 Comparing number of restaurants by year, Haidilao Int. (China Mainland).

- In 2020, Haidilao opened 489 new restaurants.
- 68% growth compared to the earlier year.
- In 2021, Haidilao opened 124 new restaurants.
- 10% growth compared to the

4.1.3 MK Suki (Thailand Market)

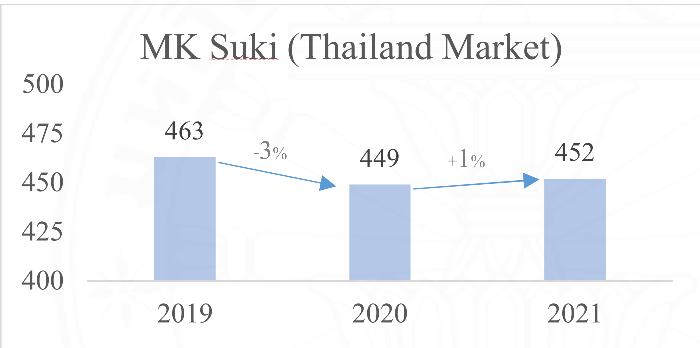

Figure 4.3 Comparing number of restaurants by year, MK Suki (Thailand Market).

- In 2020, MK Suki closed 14 restaurants.
- -3% compared to the earlier year.
- In 2021, MK Suki opened 3 new restaurants.
- 1% growth compared to the earlier year.

4.1.4 Suki Teenoi (Thailand Market)

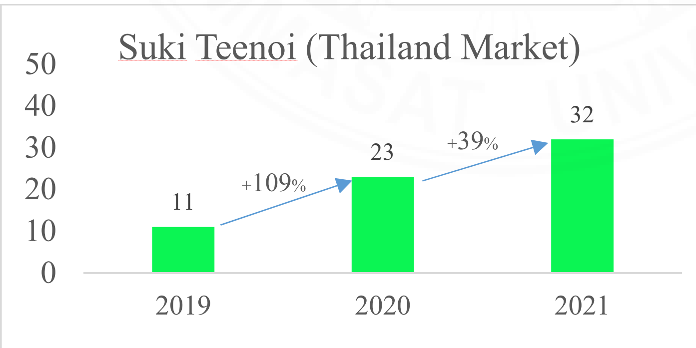

Figure 4.4 Comparing number of restaurants by year, Suki Teenoi (Thailand Market).

- Opened 11 outlets in 2019.
- Opened another 12 outlets in the following year (during pandemic)
- And opened another 9 outlets in 2021

Super Hi International Holding and Haidilao International Holding chose similar expansion policies in China's mainland and overseas. In the first year of the pandemic, they had opened nearly double the size from the earlier year. They opened 20 and 124 new restaurants the following year, respectively.

MK Suki chose a different strategy. Instead of opening new outlets, they closed 14 underperforming outlets in the first year of the pandemic and opened only 3 new outlets in 2021.

Suki Teenoi was an exceptional case. It recently started its business in 2019 and performed very well during the pandemic period. Since it offers an affordable hot pot suki in a buffet concept with only 219 THB per person, customers can eat everything within their budget. This business model was successful even in a challenging time.

This analysis shows that each company has different branch expansion policies. Haidilao, Super Hi and Suki Teenoi chose an aggressive approach, while MK chose a more conservative approach during the pandemic.

4.2 Business Performance Analysis.

4.2.1 Super Hi International Holding

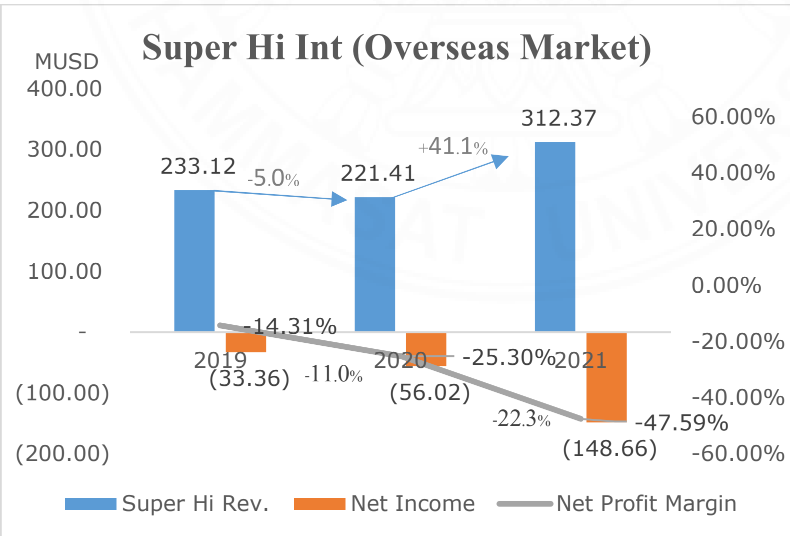

Figure 4.5 Business Performance Analysis, Super Hi International (Overseas Market)

Revenue:

- 2019– 2020: Revenue decreased 5%
- 2021: Revenue increased 41%

Profit:

- 2019: loss $33.4 million
- 2020: loss $56.0 million
- 2021: loss $148.7 million

Net Profit Margin:

- 2019: -14.3%
- 2020: -25.3%
- 2021: -47.6%

4.2.2 Haidilao International Holding

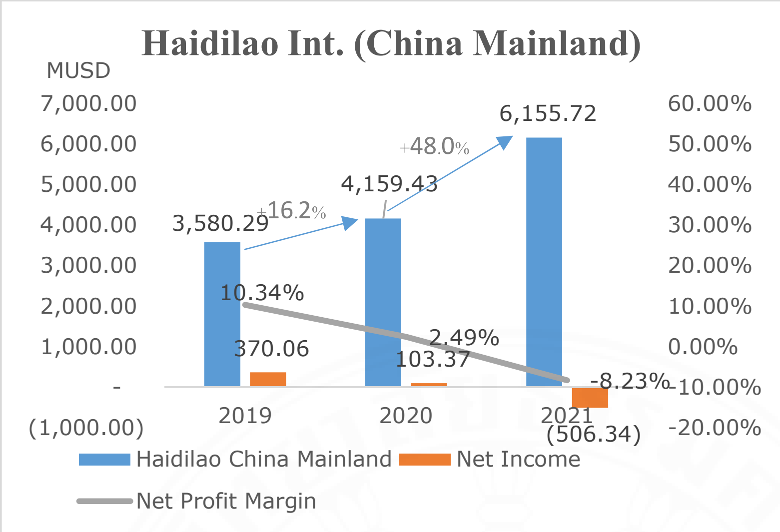

Figure 4.6 Business Performance Analysis, Haidilao International (China Mainland).

Revenue:

- 2019: $3,580.3 million
- 2020: $4,159.4 million (+16.2%)
- 2021: $6155.7 million (+48.0%)

Profit:

- 2019: $370.1 million
- 2020: $103.37 million (-72.1%)
- 2021: $506.3 million (-579.8%)

Net Profit Margin:

- 2019: 10.34%
- 2020: 2.49%

4.2.3 MK Suki (Thailand Market)

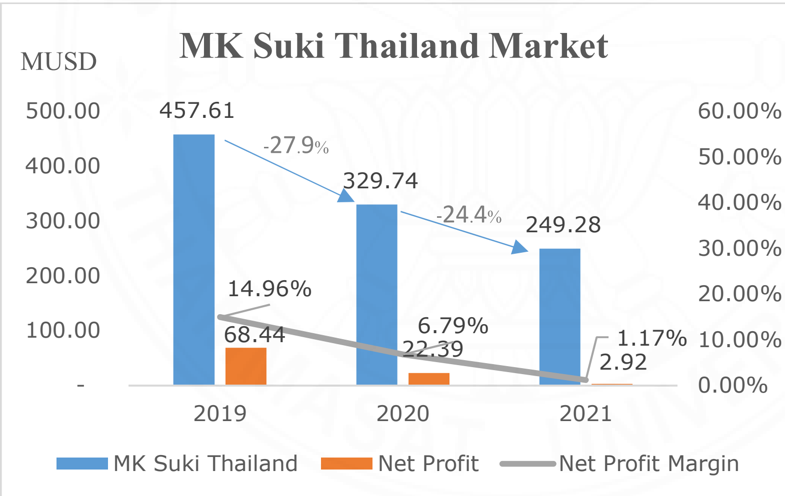

Figure 4.7 Business Performance Analysis, MK Suki (Thailand Market).

Revenue:

- 2019: $457.6 million
- 2020: $329.7 million (-27.9%)
- 2021: $249.3 million (-24.4%)

Profit:

- 2019: $68.44 million
- 2020: $22.39 million (-67.3%)
- 2021: loss $2.92 million (-87.0%)

Net Profit Margin:

- 2019: 14.96%
- 2020: 6.79%

4.2.4 Suki Teenoi (Thailand Market)

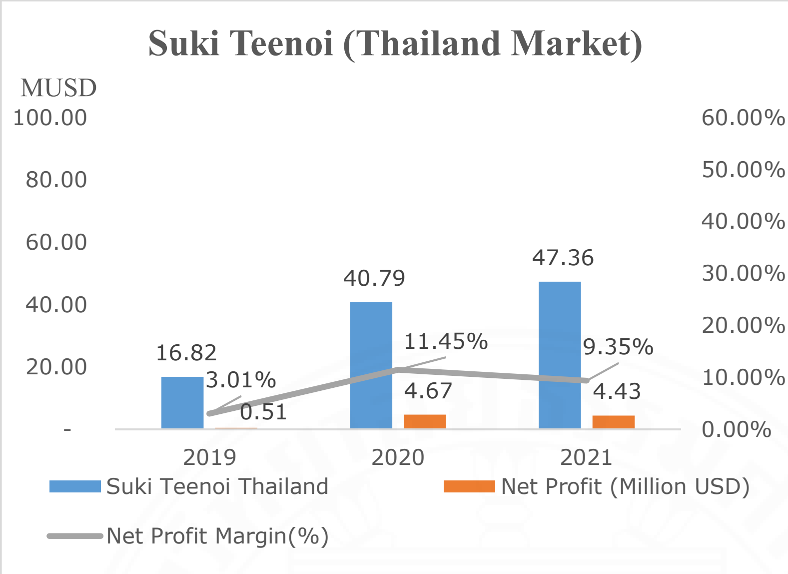

Figure 4.8 Business Performance Analysis, Suki Teenoi (Thailand Market)

Revenue:

- 2019: $16.8 million
- 2020: $40.8 million (+142.5%)
- 2021: $47.4 million (+16.1%)

Profit:

- 2019: $0.51 million
- 2020: $4.67 million (+923.6%)
- 2021: $4.43 million (-5.2%)

Net Profit Margin:

- 2019: 3.0%
- 2020: 11.45%
- 2021: 9.35%

Although Super Hi International Holding and Haidilao International Holding had increased revenue during the pandemic due to the expansion of their restaurants, the profitability reversed.

The pandemic also impacted MK suki. Its revenue decreased by 27.9% in the year 2020 and 24.4% in the year 2021. Its profitability significantly decreased by 8.16% in the year 2020 and 5.62% in the year 2021. However, MK suki was still maintaining the profit in the critical time.

Surprisingly for Suki Teenoi, even though it just started its business in 2019. Its business did very well during a hard time.

The revenue increased by 142.5% in 2020 and another 16.1% in 2021.

When we look at Net Profit Margin, it significantly increased from 3% to 11.5% in 2021—and slightly decreased to 9.4% in 2022. All in all, they performed an excellent business result in these couple of years.

4.3 Average Daily Revenue and Same Store Sales Analysis.

Super Hi stated its Average Daily Revenue and Same Store Sales in the following chart.

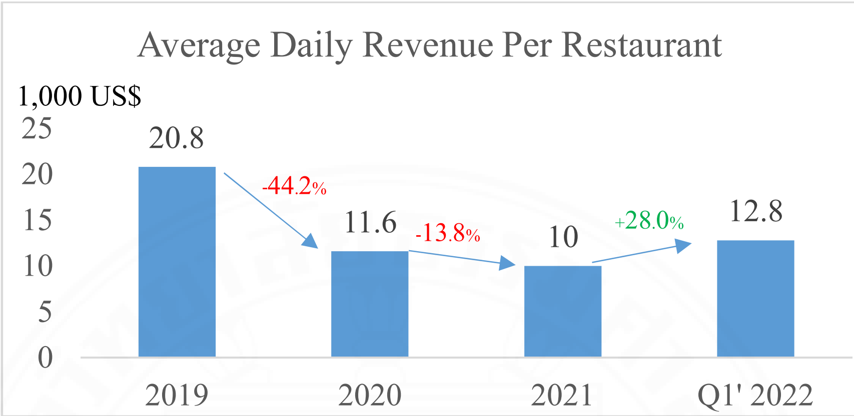

Figure 4.9 Average Daily Revenue Per Restaurant

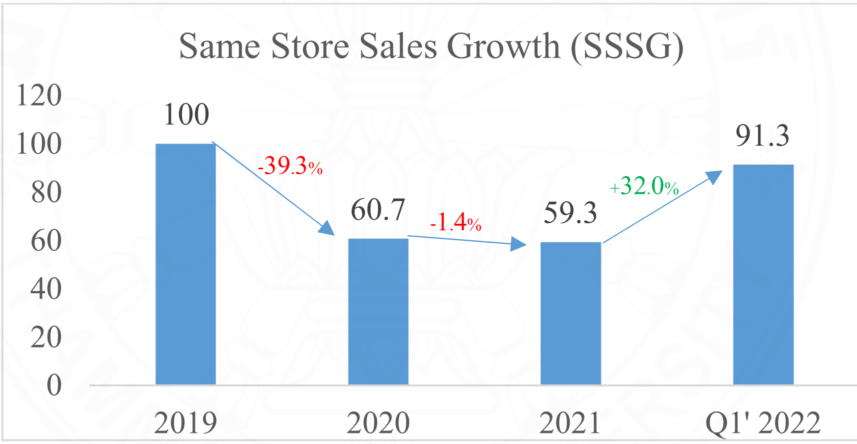

Figure 4.10 Same Store Sales Growth (SSSG)

Based on my analysis, I can conclude that:

1. In 2020, Super Hi's revenue decreased by 5% even though it had opened 36 outlets or 95% of its existing outlets in 2019.

2. In 2020, the Average Revenue Per Restaurant and Same Store Sales Growth decreased by 44.2% and 39.3%. These were affected by the decreased revenue while opening more stores.

3. In 2021, Super Hi's revenue increased by 41.1%, and it opened another 20 outlets. However, the Average Revenue Per Restaurant and Same Store Sales Growth decreased by 13.8% and 1.4%, respectively.

These figures didn't align with each other. If revenue growth, Revenue Per Restaurant, and Same Store Sales Growth should be grown as well unless there are two conditions.

3.1 The incremental of the store expansion rate is more than the incremental of revenue growth, which is not this case.

3.2 There are other kinds of revenues that haven't been included in the store's revenue. I assume that is the revenue from delivery services, which might be handled in the central department.

4. Super Hi's revenue increased from store expansion. It did not come from the operation of the existing stores.

4.4 Profit and Loss Analysis.

In this part, I will deeply analyze the Profit and Loss statement of all 4 companies. In addition, I want to see whether the cost structure that contributes to each business's performance.

4.4.1 Super Hi International Holding (Overseas Market)

Table 4.1

Profit and Loss Analysis, Super Hi Int. (Overseas Market)

Super Hi International	**2019**		**2020**			**2021**		
	USD'000	% to Revenue	USD'000	% to Revenue	% Change	USD'000	% to Revenue	% Change
Revenue	233,119	100%	221,411	100%		312,373	100%	
Other income	1,397		9,144			19,458		
Raw materials and consumables used	(81,287)	34.87%	(79,043)	35.70%	0.83%	(113,760)	36.42%	0.72%
Staff costs	(112,174)	48.12%	(100,430)	45.36%	-2.76%	(143,343)	45.89%	0.53%
Property rentals and related expenses	(2,269)	0.97%	(1,071)	0.48%	-0.49%	(6,556)	2.10%	1.62%
Utilities expenses	(7,018)	3.01%	(7,829)	3.54%	0.53%	(11,017)	3.53%	-0.01%
Depreciation and amortization	(32,338)	13.87%	(50,809)	22.95%	9.08%	(69,916)	22.38%	-0.57%
Travelling and communication	(4,211)	1.81%	(2,364)	1.07%	-0.74%	(2,674)	0.86%	-0.21%
Other expenses	(20,966)	8.99%	(28,315)	12.79%	3.79%	(41,729)	13.36%	0.57%
Other gains and losses	1,691	-0.73%	1,997	-0.90%	-0.18%	(73,270)	23.46%	24.36%
Finance costs	(8,189)	3.51%	(14,437)	6.52%	3.01%	(19,158)	6.13%	-0.39%
(Loss) profit before tax	(32,245)	13.83%	(51,746)	23.37%	9.54%	(149,592)	47.89%	24.52%
Income tax expense	(774)	0.33%	(2,014)	0.91%	0.58%	(1,160)	0.37%	-0.54%
(Loss) profit for the year	(33,019)	-14.16%	(53,760)	-24.28%	-10.12%	(150,752)	-48.26%	-23.98%

If we take a look at Super Hi International Holding Profit and Loss statement. There are some interesting figures.

Vertical Analysis:

4.4.1.1 Raw material and consumables used for Sales (Food Costs to Sales):

In 2019, Super Hi's Food Cost to Sales was **34.9%** which was slightly higher than the average standard of a fine-dining restaurant, which should be between **28%-32%.**

4.4.1.2 Staffs costs (Labor Costs to Sales):

In 2019, Super Hi's Labor Cost to Sales was **48.1%.** This proportion was extremely high compared to all fine-dining restaurants' standard numbers. The Labor Cost to Sales of a good restaurant should be around **25%-35%** of Sales.

4.4.1.2 Occupancy Expense (Rental Costs to Sales):

Since 2019, Super Hi has applied the new International Financial Reporting Standard 16 ("IFRS 16"). For rental contracts under IFRS 16, the related rental expenses were recorded under **depreciation and amortization.**

This expense was another significant expense for Super Hi International holding. It accounted for **13.9%** of Gross Sales in 2019. Standard lease as a percentage of Sales should be between **5% - 10%**

Horizontal Analysis:

4.4.1.3 Raw material and consumables used for Sales (Food Costs to Sales):

Super Hi's Food Cost to Sales slightly increased during the year of the pandemic. However, this increase was aligned with all F&B businesses during the pandemic.

4.4.1.4 Staffs costs (Labor Costs to Sales):

Super Hi's Labor Cost to Sales decreased by 2.8% and maintained by 45.9% in 2020 and 2021. Although this number decreased, it was still far behind the target at 35% of Sales.

4.4.1.5 Occupancy Expense (Rental Costs to Sales):

This figure was the most critical for Super Hi International Holding. It increased by 9% of Sales in 2020 and reached nearly 23% of Sales. This number implied that Super Hi could not reduce its rental expense during the global lockdown period while the dine-in service could not be served.

4.4.1.6 Other Expenses:

Other expenses of Super Hi International increased by 3.79% and 0.57% in the years 2020 and 2021. Major expenses came from the administrative expenses, which were 7,882, 11,866, and 19,681 thousand $US in 2019, 2020 and 2021, respectively. The incremental was 50.55% and 65.86% in 2020 and 2021. This analysis shows that despite having more losses, the company spent more on administrative expenses, which was the wrong way.

4.4.1.7 Other gains and losses :

Other gains and losses included (I) an impairment loss reported in relation to property, plant, equipment, and right-of-use assets. (II) Expected credit loss on rental deposit. (III) Loss on disposal of property. (IV) Net foreign exchange gains or loss. (VI) Others.

The breakdown table shows other gains and losses in the indicated period.

Table 4.2

Breakdown of other gains and losses of Super Hi International.
Source: Application Proof of SUPER HI INTERNATIONAL HOLDING LTD.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
			(US$ in thousands)		
				(Unaudited)	
Impairment loss recognized in respect of:					
– property, plant and equipment	–	(2,810)	(31,852)	(1,950)	(5,821)
– right-of-use assets	–	(2,849)	(31,203)	(1,209)	(2,430)
	–	(5,659)	(63,055)	(3,159)	(8,251)
Expected credit loss on rental deposits	–	–	(203)	–	(2,283)
Loss on disposal of property, plant and equipment and termination of leases, net	(170)	(164)	(1,070)	(8)	(1,351)
Net foreign exchange gain (loss)	1,311	7,283	(13,175)	(6,824)	(4,874)
Net gain (loss) arising on financial assets at FVTPL	–	–	422	127	(226)
Others	550	537	3,811	503	567
Total	**1,691**	**1,997**	**(73,270)**	**(9,361)**	**(16,418)**

Major losses came from Impairment loss recognized in property, plant and equipment and right-of-use assets in the year 2021.

As a result, Super Hi International recognized a loss for three years. And the situation was getting worst, and the loss was **nearly 50% of Sales** in 2021.

4.4.2 Haidilao International Holding (China Mainland)

Table 4.3

Profit and Loss Analysis, Haidilao International (China Mainland)

Haidilao Int Income Statement	2019		2020			2021		
	RMB'000	% to Sales	*RMB'000*	% to Sales	% Change	*RMB'000*	% to Sales	% Change
Revenue	26,555,792		28,614,255			41,111,624		
Other income	262,701		360,867			478,858		
Raw materials and consumables used	(11,238,992)	42%	(12,261,465)	43%	0.5%	(17,977,071)	44%	0.9%
Staff costs	(7,992,555)	30%	(9,676,510)	34%	3.7%	(14,874,837)	36%	2.4%
Property rentals and related expenses	(240,230)	1%	(235,961)	1%	-0.1%	(338,902)	1%	0.0%
Utilities expenses	(911,635)	3%	(978,212)	3%	0.0%	(1,456,984)	4%	0.1%
Depreciation and amortization	(1,891,324)	7%	(3,033,699)	11%	3.5%	(4,548,051)	11%	0.5%
Travelling and communication expenses	(219,934)	1%	(186,230)	1%	-0.2%	(245,734)	1%	-0.1%
Other expenses	-	-	(1,252,238)	4%	-4.0%	(1,854,154)	5%	0.1%
Share of profit of associates	75,262	0%	99,109	0%	-0.1%	91,731	0%	0.1%
Share of loss of a joint venture	(10,023)	0%	(24,249)	0%	0.0%	(10,621)	0%	-0.1%
Other gains and losses	95,084	0%	(244,966)	1%	1.2%	(3,707,365)	9%	8.2%
Finance costs	(236,791)	1%	(445,559)	2%	0.7%	(644,513)	2%	0.0%
(Loss) profit before tax	3,247,224	-12%	735,142	-3%	0.0%	(3,976,019)	10%	0.0%
Income tax expense	(900,262)		(425,596)			(185,187)		
(Loss) profit for the year	2,346,962	8.8%	309,546	0.8%	-8.1%	(4,161,206)	-10.1%	-10.9%

Vertical Analysis:

4.4.2.1 Raw material and consumables used for Sales (Food Costs to Sales):

The most significant figure for Haidilao Int. was Food Cost. It accounted for **42%** in 2019. If Haidilao could reduce this number to meet the F&B standard at **32%**, that would turn into another 10% profit.

4.4.2.2 Staffs costs (Labor Costs to Sales):

In 2019, Haidilao's labor cost to sales was 30%. This number was appropriate because it was less than the maximum F&B standard of 35%.

4.4.2.3 Occupancy Expense (Rental Costs to Sales):

Haidilao also applied International Financial Reporting Standard 16 (“IFRS 16”), the same as Super Hi International Holding. As a result, the occupancy expense would be accounted for in **Depreciation and Amortization.**

In 2019, the occupancy expense to Sales was only 7% . Therefore, this number was considered under control because it did not exceed the maximum guideline of 10% of Sales.

Horizontal Analysis:

4.4.2.4 Raw material and consumables used for Sales (Food Costs to Sales):

During the year of the pandemic, Haidilao’s Food Cost to Sales slightly increased by 0.5%-0.9%. This was aligned with all F&B businesses during the pandemic.

4.4.2.5 Staffs costs (Labor Costs to Sales):

Labor Cost to Sales was a significant figure of Haidilao Int. that increased by 3.7% in 2020 and continued to increase by 2.4% in 2021. The possible reason to explain these incremental was related to its aggressive expansion plan. As a result, Haidilao needed to recruit more staffs to run its restaurants. The more it recruits, the more labor expense it has to pay.

At the same time, the central government of China has adopted a zero covid policy. As a result, many provinces were locked down even if there was a small pop-up confirmed case. The restaurants could not offer dine-in service during that time. They had to adapt themselves by jumping into the delivery service and trying to get some cash flow to run their business. Unfortunately, Sales from delivery could not substitute sales from dine-in. Haidilao had to continue paying its employees throughout that difficult time.

4.4.2.6 Occupancy Expense (Rental Costs to Sales):

Another major expense that impacted Haidilao’s performance was the rental costs. For the same reason as labor costs, rent still needs to be paid. Even the restaurant was unable to open.

Due to the factors I described, Haidilao barely survived in 2020 by still getting a 0.8% Net Profit Margin. Nevertheless, the following year, it could not reach the second story. Its first-ever loss was accounted for by a -10% Net Profit Margin from Sales.

4.4.3 MK Suki (Thailand Market)

Table 4.4

Profit and Loss Analysis, MK Restaurant Group (Thailand Market)

MK Restaurant Group	2019		2020			2021		
	THB	% to Revenue	THB	% to Revenue	% Change	THB	% to Revenue	% Change
Revenue	17,409		13,361			11,182		
Raw materials and consumables used	(5,483)	31.49%	(4,577)	34.26%	2.77%	(4,015)	35.91%	1.65%
Staff costs	(5,098)	29.28%	(4,143)	31.01%	1.73%	(3,638)	32.53%	1.52%
Management expense	(1,281)	7.36%	(1,181)	8.84%	1.48%	(1,092)	9.77%	0.92%
Property rentals and related expenses	(1,809)	10.39%	(658)	4.92%	-5.47%	(564)	5.04%	0.12%
Utilities expenses	(736)	4.23%	(634)	4.75%	0.52%	(546)	4.88%	0.14%
Depreciation and amortization	(777)	4.46%	(756)	5.66%	1.20%	(692)	6.18%	0.53%
Other expenses	(938)	5.39%	(360)	2.69%	-2.70%	(456)	4.08%	1.38%
Finance costs	(1)	0.00%	(73)	0.55%	0.54%	(69)	0.62%	0.07%
(Loss) profit before tax	3,163		1,051			111		
Income tax expense	(553)		(140)			(10)		
(Loss) profit for the year	2,604	14.96%	912	6.82%	-8.13%	121	1.08%	-7.91%

Vertical Analysis:

4.4.3.1 Raw material and consumables used for Sales (Food Costs to Sales):

In 2019, MK suki had 31.5% Food Cost to Sales. This figure was aligned with the Food Costs target number at the maximum of 32%

4.4.3.2 Staffs costs (Labor Costs to Sales):

MK Suki had an excellent % Labor Cost to Sales at 29.3% in 2019.

4.4.3.3 Occupancy Expense (Rental Costs to Sales):

Percent of occupancy expense to Sales of MK Suli was 10.4%. It was slightly more than the maximum target of 10%.

Horizontal Analysis:

4.4.3.4 Raw material and consumables used for Sales (Food Costs to Sales):

MK's Food Cost to Sales also increased due to the pandemic and the locked-down situation in Thailand. As a result, it increased by 2.8% in 2020 and 1.7% in 2021.

4.4.3.5 Staffs costs (Labor Costs to Sales):

MK's Labor Cost to Sales increased by 1.7% in 2020 and 1.5% in 2021. Therefore, the main reason came from the decrement in Sales was more than the decrement in Labor costs.

4.4.3.5 Occupancy Expense (Rental Costs to Sales):

It is quite interesting if we take a look at these numbers. MK's occupancy expense decreased during the pandemic. Unlike Super Hi and Haidilao, MK had an effective rent management system to deal with the landlords during the lockdown.

For those reasons, MK was one the best F&B Company on Thailand Stock Exchange that had a 2-digit profit in the regular year, and it still survived during the pandemic.

4.4.4 Suki Teenoi

Table 4.5

Profit and Loss Analysis, Suki Teenoi (Thailand Market)

BNN Restaurant Group Company Limited (Suki Teenoi)	2019		2020			2021		
	THB	% to Revenue	THB	% to Revenue	% Change	THB	% to Revenue	% Change
Revenue	499,051,785		1,217,495,357			1,564,822,459		
Raw materials and consumables used	341,635,468	68.46%	662,894,532	54.45%	-14.01%	858,642,382	54.87%	0.42%
Selling&s;Admin Expenses	137,651,669	27.58%	384,072,921	31.55%	3.96%	527,588,372	33.72%	2.17%
Finance costs	65,261	0.01%	284,708	0.02%	0.01%	1,031,069	0.07%	0.04%
(Loss) profit before tax	20,046,010		175,802,749			185,013,942		
Income tax expense	4,611,892		35,513,548			37,017,021		
(Loss) profit for the year	15,434,118	3.09%	140,289,202	11.52%	8.43%	147,996,921	9.46%	-2.07%

Vertical Analysis:

4.4.4.1 Raw material and consumables used for Sales (Food Costs to Sales):

In 2019, this ratio was 68.5% to Sales. This figure was a major proportion compared to our target guideline of 32%. Suki Teenoi had double size of the Food cost to Sales because it offers a hot pot buffet concept. Customers tend to eat in buffets more than in full-service restaurants.

4.4.4.2 Staffs Costs and Occupancy expenses:

Suki Teenoi is a private company not listed on the Stock Exchange of Thailand. I could only access Selling and Admin expense data, which consoled Labor costs and occupancy expenses. As a result, I couldn't analyze Staffs Costs and Occupancy expenses based on the information that I have.

Horizontal Analysis:

4.4.4.3 Raw material and consumables used for Sales (Food Costs to Sales):

In 2020, Suki Teenoi picked the right strategy to reduce its major cost by reducing 14% of Food Cost to Sales. This major cost was relatively steady in the following year.

4.4.4.4 Selling & Admin expenses to Sales

In 2020, it increased by 3.96% from the earlier year. And increased by 2.17% in 2021.

As a result of the significant improvement of Food Cost to Sales in 2020, Suki Teenoi could increase its Net Profit Margin by 8.43% and reach double digits at 11.52% in 2020. In the following year, its Net Profit Margin slightly decreased by 2.1% and ended at 9.46% in 2021.

4.5 Benchmarking of Major Cost Structure.

4.5.1 % Food Cost to Sales

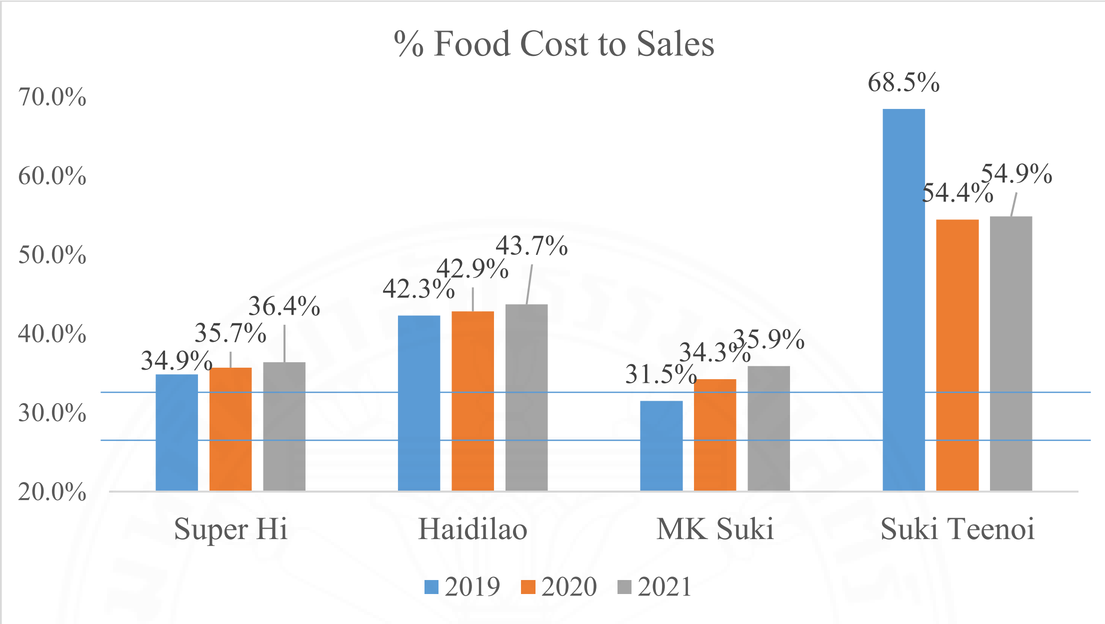

Figure 4.11 Benchmarking of major cost structure (% Food Cost to Sales)

- Food costs to sales for all 3 companies were increasing during the pandemic.
- Haidilao Food cost to sales were relatively high compared to Super Hi and MK suki.
- Suki Teenoi Food cost is extremely high due to its business model, which offers a buffet hot pot.
- Average full-service restaurant Food Cost to Sales is between **28%- 32%.**

4.5.2 % Labor Cost to Sales.

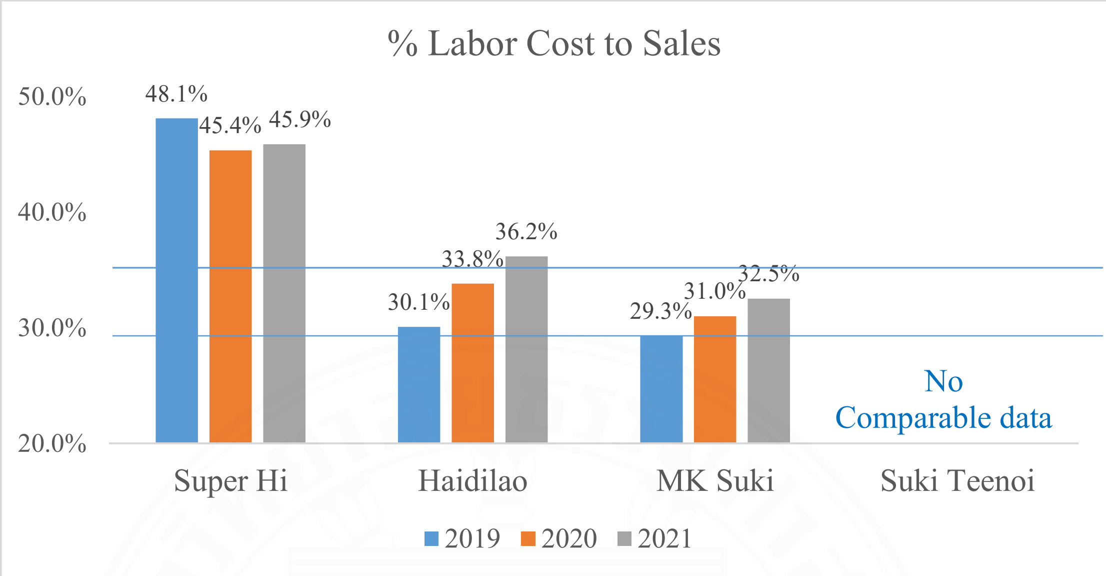

Figure 4.12 Benchmarking of major cost structure (% Labor Cost to Sales)

• Even though Super Hi's Labor cost to sales was relatively constant, it was still high compared with Haidilao & MK Suki.

• Even though Haidilao sales increased, its Labor cost to sales increased more.

• MK tried to reduce labor costs during the pandemic, but the proportion was less than the decrease in sales.

• For Suki Teenoi, there is no comparable data to analyses.

• Average Labor Cost to Sales in restaurants is **25%-35%**

4.5.3 % Property rental to Sales.

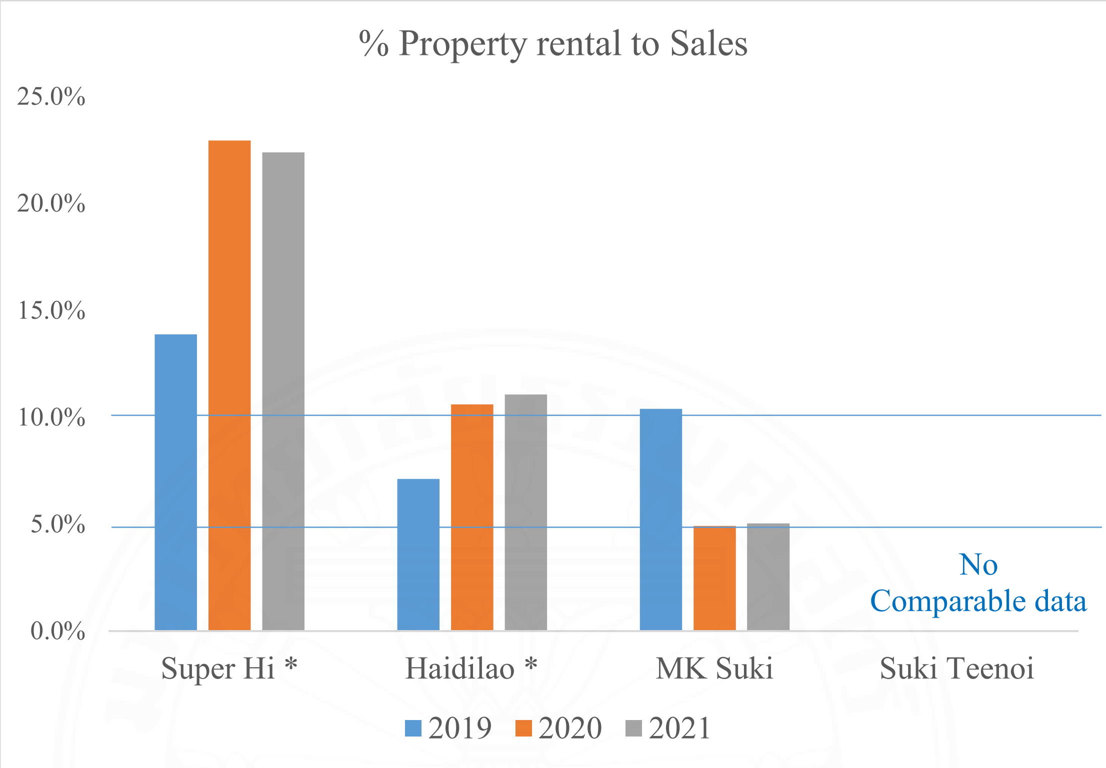

Figure 4.13 Benchmarking of major cost structure (% Property rentals to Sales)

- Super Hi & Haidilao have utilized IFRS-16 Standard.
- For rental contracts under IFRS 16, the related rental expenses were recorded under depreciation and amortization.
- Lease as a Percentage of Sales should be between **5% - 10%**
- Super Hi lease to sales was too high compared with Haidilao & MK suki.
- For Suki Teenoi, there is no comparable data to analyses.
- MK Suki did very well to minimize its rental cost during the pandemic.

4.6 Specify the Root Causes of Poor Business Performance.

1. Super Hi Int Co. had an inefficient cost structure even **before the Covid-19 outbreak**. **(Internal factor)**

	Actual	**Ideal**	**Gap**
• Relatively high Food Costs to Sales:	35%	Max 32%	3%
• Very high Labor Costs to Sales:	48%	Max 35%	13%
• Very high Rental Costs to Sale:	14%	Max 10%	4%

2. Impact of global pandemic **(External factor)**

• Covid-19 has impacted the global F&B business, not only Super Hi and Haidilao. Restaurants had to adapt themselves to survive during those critical periods.

• The main customers of Super Hi International were Chinese tourists who visited the restaurants during their overseas trips. Since the pandemic, all traveling has been canceled. As a result, Super Hi International's revenue per restaurant significantly dropped during the pandemic.

3. Wrong strategic decision-making during the pandemic. **(Internal factor)**

• It was undeniable that poor business results were caused by the wrong expansion strategy made by its management and executives.

• Super Hi and Haidilao executives missed estimating the global pandemic situation. They were supposed to be more conservative, but they chose the riskier option, aggressive expansion.

CHAPTER 5
POTENTIAL SOLUTIONS

5.1 Closure strategy for non-performing outlets.

One of the quickest ways to turn around Super Hi's business performance is to close non-performing stores. This quick-win strategy should be implemented in the beginning of the turnaround process. This method can elevate a company's profits right after implementation. In order to do that, we have to analyze based on two main indicators: Net Operating Income and Net Profit Margin by stores. Comparing them Pre VS Post pandemic. Super Hi could categorize its stores into 3 groups.

- Both Net Operating Income & Net Profit Margin are positive.
- Net Operating Income Positive but Net Profit Margin Negative.
- Both Net Operating Income & Net Profit Margin are negative.

5.1.1 Net Profit Margin by Outlets Year 2019 (Pre-pandemic).

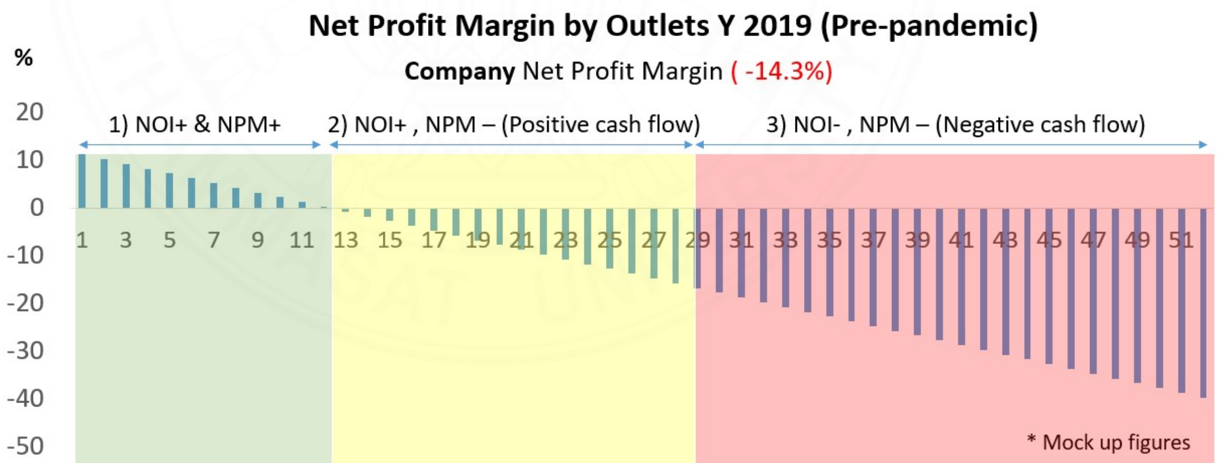

Figure 5.1 Net Profit Margin by outlets Year 2019 (Pre-pandemic)

5.1.2 Net Profit Margin by Outlets Year 2022 (Post-pandemic).

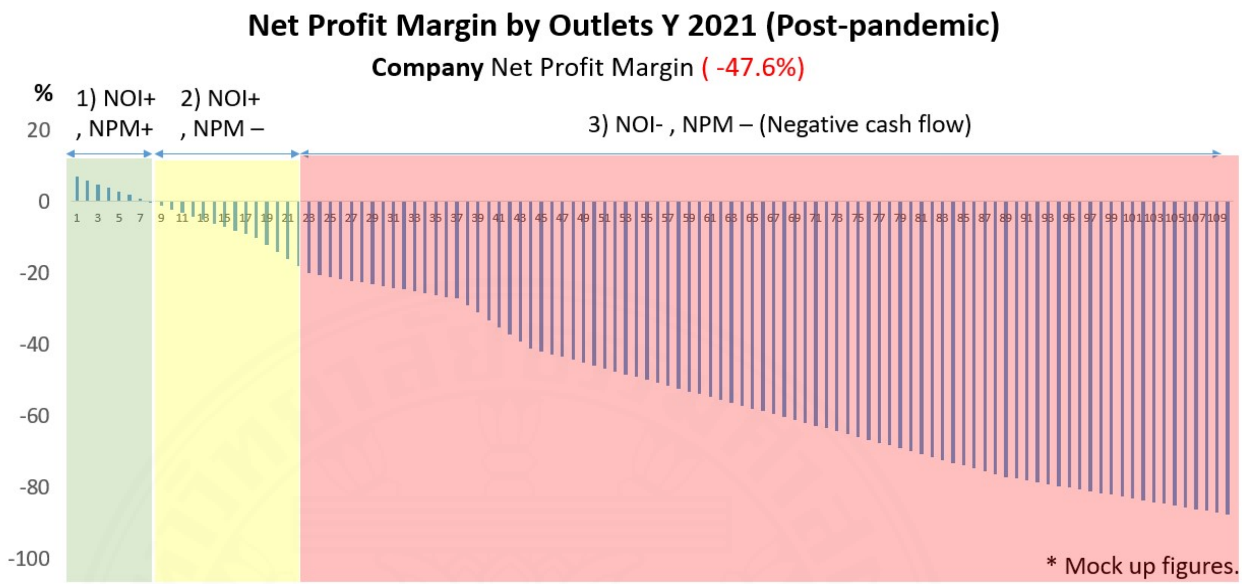

Figure 5.2 Net Profit Margin by outlets Year 2021 (Post-pandemic)

After comparing the Pre VS Post pandemic, we can see some outlets are in category 3, in which both Net Operating Income & Net Profit Margin are negative. This group of outlets should be considered closing.

I have developed a decision-making flow for this closure strategy.

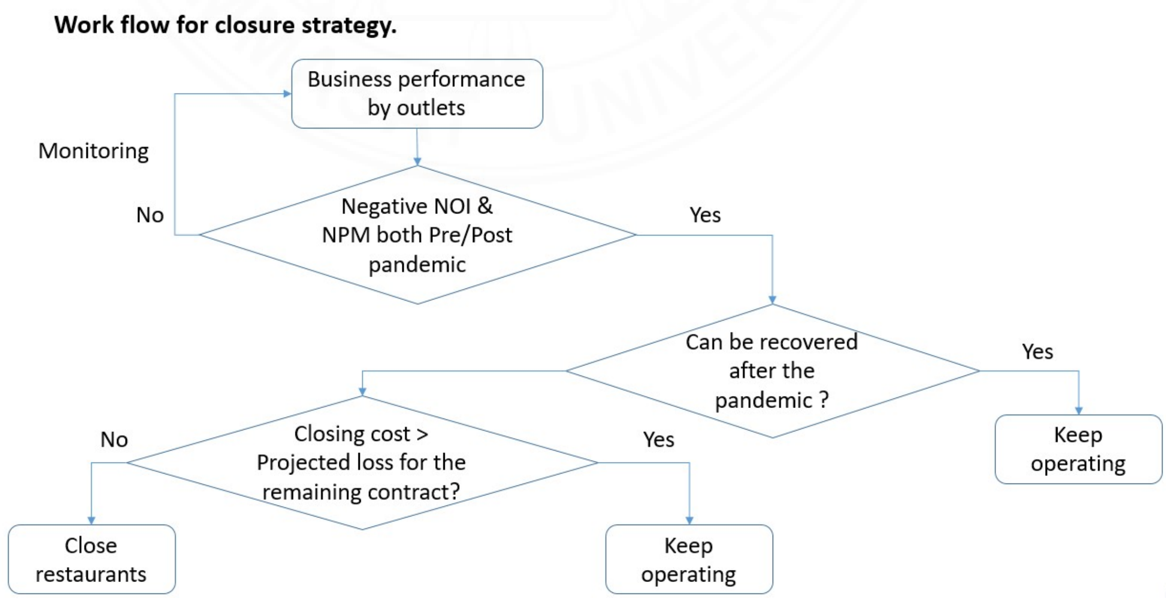

Figure 5.3 Workflow for closure strategy.

After implementing this strategy, Super Hi's Net Profit Margin is expecting a gain 25% because the losing outlets have been taken out of the company's portfolio.

The critical question is how to convince Super Hi's executive to believe and follow my recommendation. Accordingly, I will use the scenario analysis to explain by preparing three scenarios.

- The first scenario will be what if we keep all restaurants as they are.
- The second scenario will be what if we close 50% based on the simulation.
- The third scenario will be what if we close 100% based on the simulation.

Based on those scenario, I will simulate expected Sales, Gross Profit, Net Profit, and Net Profit margin. Another model that I will prepare is the sensitivity analysis for each scenario.

5.2 Review major costs structure to restore Net Profit Margin.

5.2.1 Labor Cost improvement.

Since labor cost is a major cost for Super Hi, The following techniques can improve labor costs to gross sales and should be implemented in the first year of the recovery period.

5.2.1.1) To set up manpower quota based on each outlet's sales performance. Super Hi should set up these manpower quotas by estimating the optimal number of manpower by outlet.

Example:

1.) Estimated labor cost by outlet.

2.) Estimated Gross Sales = 3,000,000 THB

3.) Estimate Labor Costs target = 3,000,000 x 35% (Target ratio) = **1,050,000 THB**

4.) Estimate the number of staff by outlet, by using the average salary for estimation.

5.) The number of staff in this restaurant should be = 1,050,000 / 25,000* = **42 employees.**

Remark: Haidilao average net salary per staff is slightly higher than an average market net salary per staff.

5.2.1.2 To set up an optimal ratio between full-time and part-time staff to improve labor cost to sales.

There are pros and cons of having both Full-time and Part-time.

	Pros	**Cons**
Full-time	Higher skills More responsibility More loyalty	Higher fixed cost
Part-time	More flexibility Seasonal / Occasional support Cost-effective solution.	Lower service skills Inconsistent service quality

Figure 5.4 Pros and Cons of having Full-time and Part-time staffs.

The optimal number should be 60 to 40% Full-time and 40 to 30% Part-time.

Full-time should be working at required skills jobs, e.g. table service or some interactive jobs with customers because they have more skills from experience and training systems.

Part-time should be working at non-required skills jobs, e.g., food preparation, filling up snacks, or utilizing them during the peak hour of sales on weekends.

Setting up an optimal staff ratio should contribute 10% of the company's Net Profit Margin.

5.2.2 Food cost improvement.

Food cost is another major cost of Super Hi. I propose improving Food Costs in the second year by the following three aspects.

5.2.2.1 Purchasing improvement techniques.

Fresh raw materials:

For long shelf life raw materials (frozen products): We can utilize data analysis to monitor the yearly price cycle. Then estimate yearly usage volume. Products should be purchased when the market price is low. Then store and utilize them when the market price is high. e.g., seafood, meat, pork.

For short-shelf life products like vegetables: Super Hi could consider making the contract farming with farmers. These could enhance supply reliability and also decrease purchasing prices.

Dry raw materials:

There should be more than one source for each raw material, the minimum should be 3 to reduce the binding. Allocating purchasing volume should be done quarterly.

5.2.2.2 Operational improvement techniques.

Yield improvement activity.

Here is the step of implementation.

1) Prioritized top 5 most valuable products (Price x Quantity)
2) Monitor current yield status by product.
3) Set up improvement activity by item, e.g., set up the standard for slicing meat and monitor actual yield results by item by outlet.

5.2.2.3 Supply chain improvement techniques.

It is necessary to have a central kitchen for the chain restaurant business.

They are 3 benefits which are

1.) Benefits of the economy of sales. Because you have to buy raw materials in a big volume, then you can get a better price. As well as the production aspect, you can get a lower unit cost if you produce more.

2.) It is a better way to control your standard. Let's think about if you produce 2,000 SKU of soups. And distribute them to 30 outlets countrywide. All of the outlets would get the same soup taste.

3.) To control some secret recipe. In F&B secret recipe is everything. It will be easier if we control it in one place, which is a central kitchen.

Before implementing the centralization concept, you must set the criteria to select which products should be produced from your central kitchen.

Selection Criteria.

1. Are those the key products you need to control high-quality standards, or do you want to keep some secret recipes or ingredients?
2. If the chef has to prepare that dishes in the restaurant. Is it time-consuming to prepare?
3. Products that have lower yield if they prepare in the outlets.

Super Hi would improve the 5% Net Profit Margin by implementing those techniques.

5.2.3 Rental cost improvement.

Rental cost improvement should be considered in the second year. Before implementing the improvement activity, Super Hi needs to visualize its current rental cost to sales by outlets. The target number shouldn't exceed 10% of Sales. Here are the guidelines for stores whose rent is higher than the target.

1. Negotiate with the landlord, asking for a rental cost discount for non-performing locations.
2. Consider reducing the size of the store to minimize rental costs.

In China, many Haidilao restaurants are located in office buildings that can operate 24 hours a day with a lower rental cost per square meter compared to the shopping mall. I would suggest using the same strategy in Thailand.

Another thing Super Hi can do is review the rental cost scheme by Sales performance.

- Best sales performance – leasehold
- Medium sales performance – contract rental
- Low sales performance (positive cash flow) -% Gross sales

5.3 Penetrate more local customers.

Although Haidilao has opened branches in many countries, major customers are local Chinese residents or travelers from China. When the pandemic hit, Haidilao was greatly affected. Super Hi should penetrate more local customers to mitigate the risk of lacking Chinese customers. It is a mid to long-term plan for Super Hi to achieve more sustainability in overseas markets.

5.3.1 Market & customer analysis -> to understand local demand.

To operate an F&B business overseas, Super Hi must understand the needs of local customers due to differences in income, culture, and preferences. And design the service based on the customer's experience.

Figure 5.5 Customer experience management based upon consolidated data.
Source: https://www.uniserv.com/en/business-cases/customer-data-management/customer-data-platform/

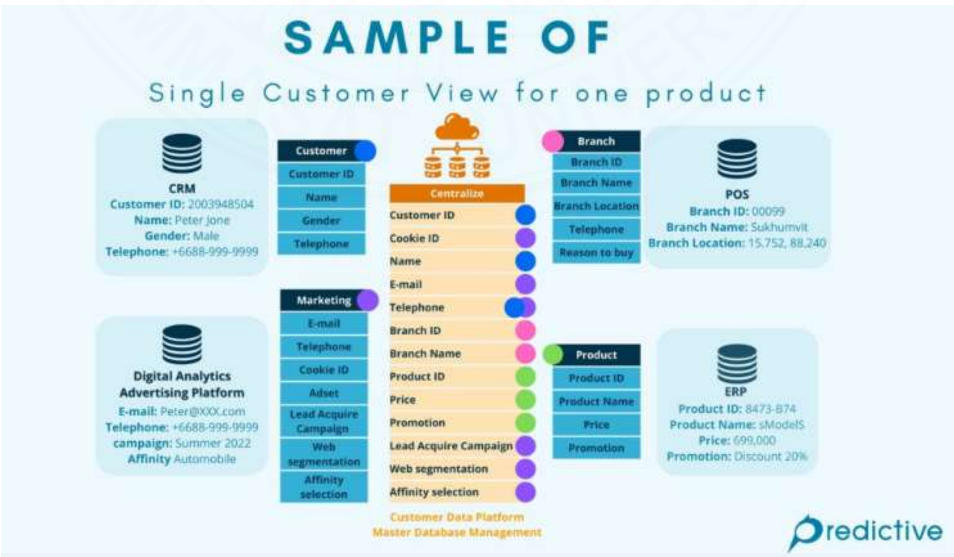

Figure 5.6 Sample of single customer view for one product.
Source: https://predictive.co.th/services/user-experience-services-design/

5.3.2 Product Localization (New Product Development).

Super Hi needs to localize its products to meet customers' preferences. New Product Development is another way to create localized tastes, e.g., Tom Yum soup or Tom Kha Gai soup base.

Tom Yum Soup base

Figure 5.7 Tom Yum Hotpot: A delicious way to enjoy Tom Yum soup. Source: https://localiseasia.com/tom-yum-hotpot-a-delicious-way-to-enjoy-tom-yum-soup/

Tom Gai Soup base

Figure 5.8 Thai Chicken Coconut Milk Soup. Source: https://www.templeofthai.com/recipes/chicken_coconut.php

5.3.3 Promote local seasonal campaigns to engage with local customers.

Launching traditional festival campaigns such as Songkran or Loy Krathong festival would attract local customers' attention.

Songkran festival

Figure 5.9 Songkran stranger. Source: https://www.wundermanthompson.com/work/songkran-stranger

Loy Krathong festival

Figure 5.10 Loy Krathong 2021. The river legacy. Source: https://www.facebook.com/royalorchidsheratonhotel/posts/10157210497709159/?paipv=0&eav=AfbGwRVD1OPnjLgkpIPb_ND4ZBvxAFofeOPamJ42ejvhz3IO4LKa_ntdpbkf5bWDat0&_rdr

Super Hi could also have a special moment for customers on Mother's and Father's day by launching the dining with Mommy and Daddy promotion. For example, if you come to the restaurant with your mother on that Mother's day. It will be free for your Mother.

Mother's day

Figure 5.11 Mother’s day
Source: https://www.freepik.com/free-photos-vectors/mother-day

Father's day

Figure 5.12 Father’s day
Source: https://www.freepik.com/free-vector/happy-father-s-day-father-holds-son-close-his-chest_15637383.htm

5.3.4 Online Marketing.

Online marketing is another activity that Super Hi should do to be top of mind in the local market. To do that, Super Hi could utilize local online influencers or **Key Opinion Leaders (KOL)**

Peach Eat Laek

Mom Tanaddak

Chalermsri

GZR Gozziira Wongnai

Figure 5.13 Influencer รีวิวอาหาร ที่มีผู้ติดตามมากใน YouTube
Source: https://www.facebook.com/MarketThinkTH/posts/2625127810912927/

5.4 Recommendations.

5.4.1 Always monitor Same Store Sales Growth (SSSG)

Same-Store Sales Growth (SSSG) is the key indicator for monitoring your chain restaurant performance by restaurants.

Same-Store Sales Growth (SSSG) calculation formula:

$$\text{Percentage Change in Sales} = \left[\frac{\{\text{Total Sales (in Current year)}\}}{\{\text{Total Sales (in Previous year)}\}} - 1 \right] * 100$$

Figure 6.1 Same Store Sales
Source: https://www.wallstreetmojo.com/same-store-sales/

These numbers could tell you:

1. Sales performance by each outlet, whether its growth or decrease.

2. It could tell you the cannibalization if open too many restaurants in the same area. SSSG of the existing restaurant would be affected.

3. If company revenue increase but SSSG decrease. It would imply that the incremental revenue came from opening new outlets. But the new store sales less than the existing stores. It is a bad signal for F&B.

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