Catering Industry Transformation Driven by Consumption Upgrade
Catering industry outlook and discussion on common issues

Report Abstract
Making another century of impact
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China’s catering industry has been integrated during the 12th Five-Year Plan period while high-grade catering consumption has been pent up, dragging down the overall industry growth. With strong consumption upgrade in 2016, the first year of China’s 13th Five-Year Plan, public catering consumption has started to grow rapidly with more diversified service targets and demands. Technological advances have also reshaped the consumption via consumers’ decision-making processes and payments. Driven by complex and changing demands as well as advancements in technology, catering, one traditional service industry, has seen a new round of opportunities for transformation and upgrading. Stable consumption growth helps strengthen the long-term positive prospect of catering market and attract more capital and crossover competitors. Deloitte believes that China’s catering industry will reach to a new stage of diversified development and competition over the next few years. Key observations of this report are as follows:

**Consumption upgrade leads a rapid recovery in catering.** In the trend of consumption upgrade, public catering has become the pivotal force in boosting the industry growth, as consumers are more willing to dine out. Meanwhile, the rising next generation of consumers bring more diversified demands, creating scope for growth in different types of catering categories.

**Chain catering enterprises drive the entire industry to scale up and develop effectively.** In recent years, chain enterprises with efficient operation and rapid expansion are taking center stages. Based on the findings of studies on these enterprises, business format/brand innovation, digital transformation, industry chain extension and capital market operation will be the major development directions. Such measures will facilitate the industry transformation and upgrade in terms of product, service, quality and efficiency. Although the concentration of China’s catering industry remains low with a lack of enterprises at ten-billion level, there is much development space for chain catering groups and the industry is expected to see further expansion and integration.

**The rise and adoption of technology promote the digital transformation of catering industry.** Technology adoption, represented by the Internet, provides new channels for catering enterprises to connect with consumers and strong support for enterprise management. And thereby digital transformation proves to be one key development direction for catering enterprises. The application of emerging technologies, including big data and Internet of Things, also helps drive up the operation and management of catering enterprises.

**Catering industry is more active in capital market.** Catering enterprises have gained increasing attention from capital market and started engaging more actively in the capital operation. The approved IPO application of Guangzhou Restaurant puts an end to the absence of catering enterprises listing in the A-share for years, expecting to open up a new door for A-sharing listing of catering enterprises. Smaller catering enterprises have listed in NEEQ to obtain attention and support from capital. PE/VC investment for catering enterprises has also increased constantly with a sizable percentage invested in enterprises in angel rounds, reflecting investors’ optimism for catering industry.
Policy guidelines shall not be overlooked: tax compliance and food safety have become the regulation focus in catering industry. As the impact of policy guidelines on the industry is a major systematic risk for its development, catering enterprises need to develop prior planning with full attention to compliance issues to be not affected. Recent policies indicate that food safety has become the regulation focus while supporting the healthy industry growth; and relevant laws and regulations have been improved, tightening restrictions on enterprises. Tax and other issues caused by VAT reform also require sustained attention. For successful listing, enterprises shall advert to compliance in various aspects in early stages and avoid being impacted by non-compliance on listing progress.
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