

Pushing customer services to the extreme

[Business](#), [Customers](#)



Many Western visitors to China complain that service industries such as restaurants and hotels are not up to international standards. Major problems have been lack of proper attitude on the part of business owners and management. After years of experiences as an owner and customer of many service-oriented businesses worldwide, I have finally found a restaurant chain in China which seems to be doing all the right things and avoid most of the pitfalls plaguing others. I cannot say the same thing about McDonald's, Ritz-Carlton Hotels, Starbucks, FedEx, or Taco Bell, just to name a few.

The business I would like to share with you is called HaiDiLao Hotpot, which has 37 hotpot restaurants with annual revenue exceeding 300 million CNY (approximately 44 million USD). The business is not huge compared to other restaurant chains, but, in my opinion, it is the best-run restaurant chain in China, if not worldwide. No other companies which I have observed even come close to its insistence on the quality of services. It has pushed customer services to the extreme. I am speaking out of my personal experience without any bias since I do not own any share neither have I been influenced by anyone within the company.

Why does this small restaurant chain deserve so much attention and praises? Let's explore its success as follows: Free up on-site personnel for serving customers: Although there are only 36 restaurants nationwide, Haidilao invested heavily in centralized food preparation centers and logistic supports as well as world class supply chain system. The centralized supports have basically eliminated requirements for on-site food preparation, and hence free up most employees so that they can concentrate on making

customers feel at home with superb dining experience. No-frills yet stylish interior decoration:

The interior of Haidilao restaurants are both functional with bright stylish colors of modern ambiance. It has successfully avoid the unpleasant smell and crowdedness of ordinary hotpot restaurants in China. Each table is equipped with an independent exhaust vent hood over the hotpot. All tables are topped with reinforced glass for each cleaning. Customers have easy access to several sauce bars strategically located in the large space. Its interior lighting avoid common taboo of shinning spotlight into guests' face, which is my frequent complaints when dining in China.

It doesn't take a genius to figure it out the importance of good interior. Perhaps managements of Kentucky Fried Chicken and McDonald's can learn from the attention Haidilao has put into its interior. No one wants to sit in an uninviting, noisy, poorly-lit or flood-lighted, and crowded space as we have found in many fast food chains. Service starts at the waiting area: My first visit to Haidilao was in a cold winter evening. As we pulled up the at the entrance to the parking lot, I was greeted by a couple of young men dressed in heavy coat with clear Haidilao CIS on it.

After they directed me into my parking space, they rushed to open doors for us. I tought I was going to a high-end restaurant. The waiting area is even more mind boggling. It provides a large waiting area where drinks, shoe-shine, manicures, children's play area, and internet access are available at no charges. Customers are greeted by smiling waiters/waitress who keeps coming back with free drinks and updates on the status of table availabilities

and estimate waiting time. Time seems to fly when we are faced with smiling young waitress after having my shoe meticulously shined.

Young guest and kids plays online games while others enjoy chess games. This is sharp contrast to other restaurants with unfriendly and crowded waiting space. My worst experience of waiting for table at a restaurants happened in Japan where customers are usually forced to line up outside the establishment as a free propaganda for the restaurant. Haidilao makes me feel welcomed despite my one-hour wait. I have never seen any restaurant managed the waiting area with so much attention. Amazing employee attitude and attention to details:

Every customer is greeted with a steaming hot towel upon sitting at the table as the young waitress takes order. Each employee at Haidilao I have come to contact with has always been able to answer all my question promptness and appropriately. No one has tried to brush me off with some template answers as we experience at other establishment. They make me feel very much at home when I strike a conversation them or ask for help with anything. I have never seen any employee loitering around chatting with each other loudly and tried to avoid eye contacts with customers as we usually experience at other places.

The most amazing thing is that I can sense that those employee are acting genuinely when they goes out of their way to serve me. As I browse through Haidilao's website, I find the secret of how the company motivates its employee. Looks like they have a standing policy of treating every employee equally and with respect on top of excellent housing and incentive packages.

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According to its management, Haidilao's employee turn-over rate is less than 10% against the average industry average of 29%.

The company must be doing something right to keep its work force of more than 6, 000 employees happy. I can point out sharp contrast at Starbucks in Beijing. For some unknown reason, Starbucks always hires employees with Beijing Hukou (Housing Registration, official resident of Beijing, not transient residents from other province or cities). Those employees are the worst kind of people for service industry in Beijing. They think they are superior to anyone else without Beijing Hukou and show no respect to the very customers they are supposed to assist.

This problems is serious among foreign-owned companies such as Fedex, McDonald's and TGI Friday's in Beijing and Shanghai. It's time for managements of these American companies to do something about their employees' attitude if they are going to compete against local startups who are catching up quickly. Management Commitment and bottom line: I have seen so many textbook scenarios of good services and many more pleasant surprises for customers actually practiced at Haidilao. All those could not have happened without strong commitment from the top.

The extra cost for large waiting area space, the investment in employee benefit and training, and integrated central facilities and logistics do not come cheap and are definitely above industry standard. If they keep it up as I see it now, it will be setting a new industry standard. Haidilao's secret formula is not to pursue growth in revenues and number of stores. One of their store manager told a reporter that each restaurant was rated internally

by its customer satisfaction indicators and table turn-over rate. Apparently, revenues and expansion will follow if customer loyalty is so fanatically guarded.

The company is not a listed company and it is difficult to find out its financial figure. The website stated that its annual revenues are over hundreds millions CNY and profit is in the ten millions. The unofficial estimate disclosed at some news reports put Haidilao's annual revenues at more than 300 million CNY and profit at over approximately 100 million CNY. At its project growth rate of 20% each year, it will be a 100 million company in about four years. Not bad for a hotpot restaurant. Of course the food is good and its not expensive:

The average bill for each customer is approximately 70 CNY (roughly 10 USD), which is considered middle to lower cost restaurant for middle class. The food is great and the dinning experience is excellent. Grassroots rating: The Haidilao Hotpot restaurant chain is worthy of grassroot report because it was started by an ordinary person with high school education from a small town in Sichuan. The first Haidilao was started with four tables. Despite its recent success, it continues to serve its ordinary people customers with its passionate team of employees. My thumbs up for the Haidilao team for pushing service to the extreme!