



**The crisis management strategy of the food industry during pandemics---a case study of
Xiwang Food Co., Ltd.**



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**SUBMITTED IN THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
DEGREE OF MASTERS IN BUSINESS ADMINISTRATION
INTERNATIONAL PROGRAM, GRADUATE SCHOOL OF BUSINESS,
SIAM UNIVERSITY, BANGKOK, THAILAND**

2022



Title of Research: The crisis management strategy of the food industry during pandemics---
a case study of Xiwang Food Co., Ltd.

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Major: International Business Management

Degree: Master in Business Administration (International Program)

This is independent study has been approved to be partial fulfillment in
Master of Business Administration Program

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Abstract

Business growth is an option for many Chinese food enterprises looking to optimize earnings in light of economic globalization and the development of the Chinese economy. Over Time, as food enterprises mature, crisis management issues are inevitably faced. The COVID-19 pandemic altered the global food supply chains and markets and unquesEonably presented new difficulEes for Chinese food corporations looking to expand during the crisis.

In 2016, Xiwang Food Co., Ltd stated that the company would buy the entire Canadian Kerr Investment Holding Corp (referred to as 'Kerr'). The effects of COVID-19 significantly impacted Xiwang Food Co., Ltd's production and product sales operations. For example, its performance of Kerr has drastically decreased since the pandemic began. First, rising prices and supply chain issues with the import of raw materials made a negative impact. Second, not long after the COVID-19 breakout, food sales stalled due to local government plans for pandemic prevention and control. The public's fear of the disease also created financial difficulties for the Xiwang Food Company.

This research aimed to understand the elements that influence a company's expansion behavior and mixed marketing methods and employ matching strategies to ensure that goods and services can be introduced to the market appropriately and successfully. Provided in this study are the details of the findings. In light of the COVID-19 pandemic, this essay concentrated on the Chinese food industry's crisis management, product marketing, and sustainable development strategies.

Keywords: crisis management, food industry, pandemic, strategy

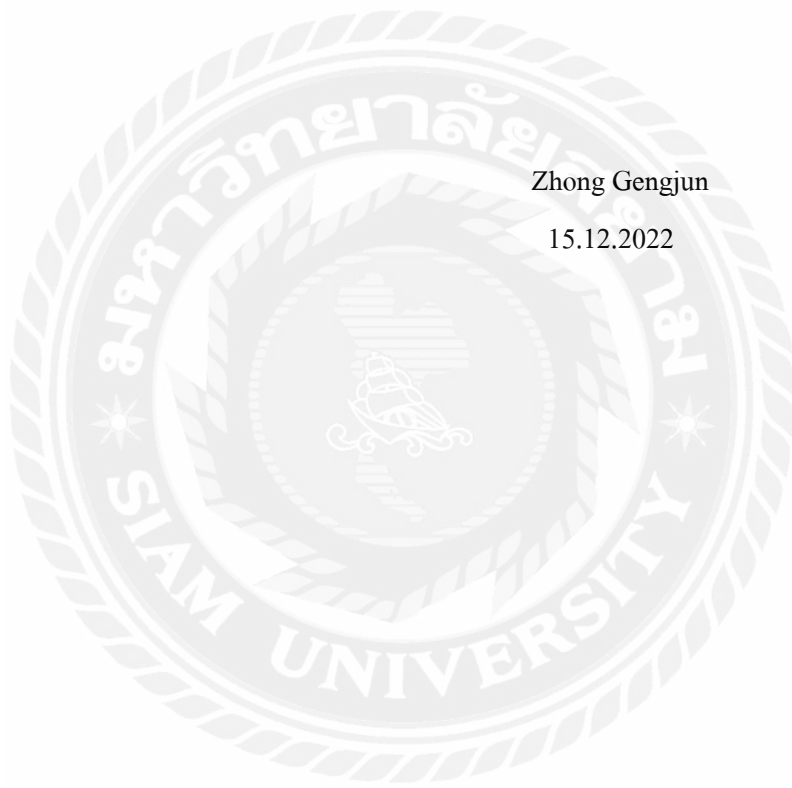


ACKNOWLEDGEMENT

In this section, I would like to express my gratitude to Dr. Tanakorn Limsarun, advisor and Assoc.Prof. Dr. Jomphong Mongkhonvanit, Dean, Graduate School of Business, Siam University, Bangkok, Thailand for their thoughtful and caring supervision by means of their educational excellence. I am most grateful to them especially for their deep understanding of the Independent Study and their support and strong good communication skills.

Zhong Gengjun

15.12.2022



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1. Introduction

1.1 Research Background

All facets of human life have been affected by the COVID-19 epidemic. Governments imposed quarantine, travel restrictions, and border closures at the outbreak's start. Fears of a forthcoming economic catastrophe and recession were raised (Maria,2020). Because of the broader repercussions of the global recession, more individuals are now at risk of food insecurity. Agriculture costs and food-price inflation have increased sharply due to earnings being negatively impacted by the global crisis, local food supply constraints, and border limitations that reduce the availability of labor.

High-end edible oil has been in high demand on the market lately. The food market has become substantially more competitive over the past ten years, according to a careful examination of the margarine and cooking oil production industries (Ajaero,2021).The Chinese edible oil business is anticipated to have a market size of more than 45 million tons in 2023, according to an estimate from the China Securities Times..The advantages of well-known brands and dominant businesses are undeniable.The Chinese edible oil market is currently characterized by intense competition,high concentration, rising barriers to entry, and all of these factors. In terms of cost-effectiveness, product development, and brand building, the market's top companies have seized the initiative, and their advantages are anticipated to grow going forward, driving the evolution of the overall sector in terms of consumer upgrades (Xiang, 2021).

To survive, the food sector must be customer-focused and constantly adapt its product production strategy to meet the needs of its customers.

1.2 Research Problems

Xiwang Food Co.'s performance had dropped throughout COVID-19. First, there have been issues with the import of food raw materials, including increased food raw material prices, shipping issues, etc. Second, after the COVID-19 breakout, food sales would halt due to the local government's strategies for epidemic prevention and control and the public's fear of the disease, somewhat increasing the financial difficulties of Xiwang Food Company.

This essay will concentrate on the challenges faced by China's food industry in managing crises, marketing products, and promoting sustainable development in the context of COVID-19. These challenges include: The rising cost of food raw materials and the transportation of those materials; Under the influence of COVID-19, a food company can quickly cause a financial crisis.

1.3 The Objective of the study

This study's objectives were to evaluate how COVID-19 affected the food business and to compile suggestions for minimizing and managing the pandemic's effects. By examining the success and failure of the food industry's commercial expansion, use your marketing experience to create the best marketing strategy to help the sector lessen and contain the pandemic's effects. From a marketing standpoint, examine how the food industry handled corporate growth and crisis management during the COVID-19 pandemic: How to address the challenges with raw material transportation and growing raw material pricing, how the food industry may rapidly resolve the financial situation.

1.4 Scope of the study

This study investigated the impact of the ongoing COVID-19 in major economies (China) on the food industry. Consider Xiwang Food as an example of how the pandemic affected the business growth of the food industry and how the food sector should be developing sustainably. By gathering a significant amount of literature and related works, combining them with pertinent research for in-depth analysis, summarizing the historical context and associated theoretical underpinnings, and basing the study and analysis of the connotation and extension of research objects on the combination of related theory, use theory, and other theories.

1.5 Research Significance

Understanding the impact on the food industry and customers during the pandemic and developing workable market remedies for various relevant consumer groups are made possible via the analysis of the challenges in the business expansion of the food industry during the pandemic.

2. Literature Review

2.1 Crisis Management

The specialists who thrive on the demands and challenges of crisis management are reserved about much of the information and expertise they possess because of the nature of the issues at hand. That might pose a risk to the same organizations it is designed to defend in the wrong hands. Therefore, it is inevitable that a large portion of the crisis management industry is hidden behind a curtain of “business security” (Doeg,2005).

As businesses build extensive supply chains and look to penetrate new markets abroad, there will be an increase in global crises. Think about the massive network of suppliers that makes up the Nike supply chain or the recent Asian expansion of Starbucks. Regarding global crisis management, there are numerous crucial concerns affect academics and practitioners alike (Coombasa,2017).

Seo et al. (2014) claim that even years after the crisis, customers' views and reputational threats can still be affected by it. Reputation management may be pretty valuable because a company's reputation can be either positive or negative (Nanda,2021).

Risk assessment (RA), risk management (RM), and risk communication make up risk analysis (RC).A food safety incident's unwarranted health effects and financial costs could be reduced with improved communication between the RA, RM, and RC. Uncertainties and the use of the precautionary principle frequently led to flaws in RM and RC. They were making changes as quickly as possible is crucial, as is communicating any uncertainties right away (M Focker,2021).

2.2 Food industry

The COVID-19 epidemic has significantly disrupted global food production, distribution, and consumption. Food prices have been substantially impacted by the pandemic's disruption, which is a severe problem for a globe with a rapidly growing population (Torero,2020). Numerous food processing plants were forced to alter their operations or temporarily close due to outbreaks. Economic productivity has changed structurally as a result of societal lockdown, travel restrictions, business closures, and quarantine, which has also influenced people's mental health and financial situation (Abderahman,2020). The COVID-19 pandemic has highlighted the crucial role that food

plays in maintaining public health and brought to light the critical nature of the world food manufacturing business (Daniel,2022).

The most crucial move food firms can make shortly is to create an action plan that is prioritized, targeted, and allows the necessary resources to accomplish the goals in a time-constrained setting. The operations and supply chains of the food corporations that provide staples to retail grocery stores must be expertly managed. These businesses will need to increase and adjust their output while dealing with workforce issues such as fluctuations in worker availability owing to illness, employee safety, shifting work schedules, supply interruptions from crucial vendors, transportation interruptions, and rationalization (KEITH,2020).

On May 29, 2022, the 75th World Health Assembly approved an updated Global Food Safety Strategy (2022-2030), according to the Xinhua News Agency. It was stated that the COVID-19 crisis has shown how crucial and urgent it is for partnerships to promote sustainable, inclusive, and resilient development. To collaboratively create more inclusive, resilient, and sustainable communities, multi-stakeholder engagement is essential. This crisis has shown the limitations of government in every nation on earth.

Businesses in the food service sector have experienced a dramatic fall due to the COVID-19 epidemic, pushing players all along the food service supply chain to reconsider their business models. Food firms can reduce the potential impact of the growing COVID-19 explosion by strategizing, coordinating, and preparing to stop disease transmission. Even though the emerging COVID-19 outbreak could cause severe harm to many businesses.

2.3 Pandemics

Early on in the pandemic, as nations were put on lockdown, COVID-19 had a significant impact on numerous service businesses (Williams,2020). There is little doubt that the COVID-19 pandemic has had a severe effect on industries, including tourism and culinary services. Businesses are closing, once-bustling streets are frequently almost deserted, and there is a palpable sense of unease as people abide by quarantine regulations intended to keep them safe. COVID-19 has caused a worldwide pandemic that has had an impact on the world's health, society, ecology, and economy (Alimamy,2020).

Planning and becoming ready to put mitigation techniques into action during a pandemic are difficult jobs that call for collaboration from all governmental levels and all facets of society (*Interim Pre-pandemic Planning Guidance: Community Strategy for Pandemic Influenza Mitigation in the United States, 2007*). Through constant diligence and decision-making based on research and facts, children and families may be provided with the resources to overcome these challenges and live healthy, happy lives (Jacqueline, 2020).

No one can estimate when things will get back to normal following the COVID-19 epidemic, although many scenarios can be created, both more optimistic and more damaging. Each region of the world and, more significantly, each country, where various precautions have been put in place, have experienced this epidemic at varying rates (Arlindo, 2021). For instance, we are aware that illness propagation varies between nations and regions. Recent research has suggested that asymptomatic carriers may unknowingly infect others while still carrying the virus. This SARS-CoV-2 “silent transmission” highlights the necessity for quick, accurate contact tracing techniques and case isolation to contain further outbreaks (Moghadas, 2020).

The pandemic has provided chances to restructure the food system to make it more resilient and sustainable (Andreucci, 2021). The global food chain, as well as the entire world's functioning, were both altered by the COVID-19 epidemic. Short food supply chains are advantageous for producers and consumers alike, for organizational and economic reasons, as the COVID-19 pandemic's aftermath has shown (Michal, 2022).

3. Past Research

Researchers have looked into how COVID-19 has affected the global and entire food systems. Numerous flaws in food systems built on lengthy, industrial, specialized chains with a high reliance on foreign labor have been revealed by COVID-19 (Sanchez, 2020). A long-term change in how customers buy food products may occur while the epidemic progresses (Richards, 2020). In light of the epidemic, consumers' food shopping patterns have shifted, according to several recent research (Kolodinsky, 2020).

Several crucial consumer attitudes that surfaced during the epidemic can be distinguished: (1) In the early stages of the lockdown, the gang went on impulsive, enormous buying sprees to alleviate their anxieties about the pandemic and the virus itself; (2) Some consumers began cooking

at home more frequently as a result of being forced to limit eating out; (3) People's desire to surround themselves with greenery and their greater interest in producing food at home (which is regulated, safe, and readily available) may be connected to an increase in plant sales, especially those of herb and vegetable seedlings (giving them a sense of being close to nature). The urge to grow their food and buy more fruit and vegetables was stronger among those with higher incomes. People made more purchases at local stores because the authorities advised against frequenting retail establishments (especially those located far away) (*Food Foresight on the impact of COVID-19,2020*).

The pandemic has highlighted the significance of reducing the length of food chains for the resilience and sustainability of the food system in all its facets. Fast food chains proved superior and more resilient in times of crisis, both for farmers and consumers (Michal,2022).

Conceptual Framework Model

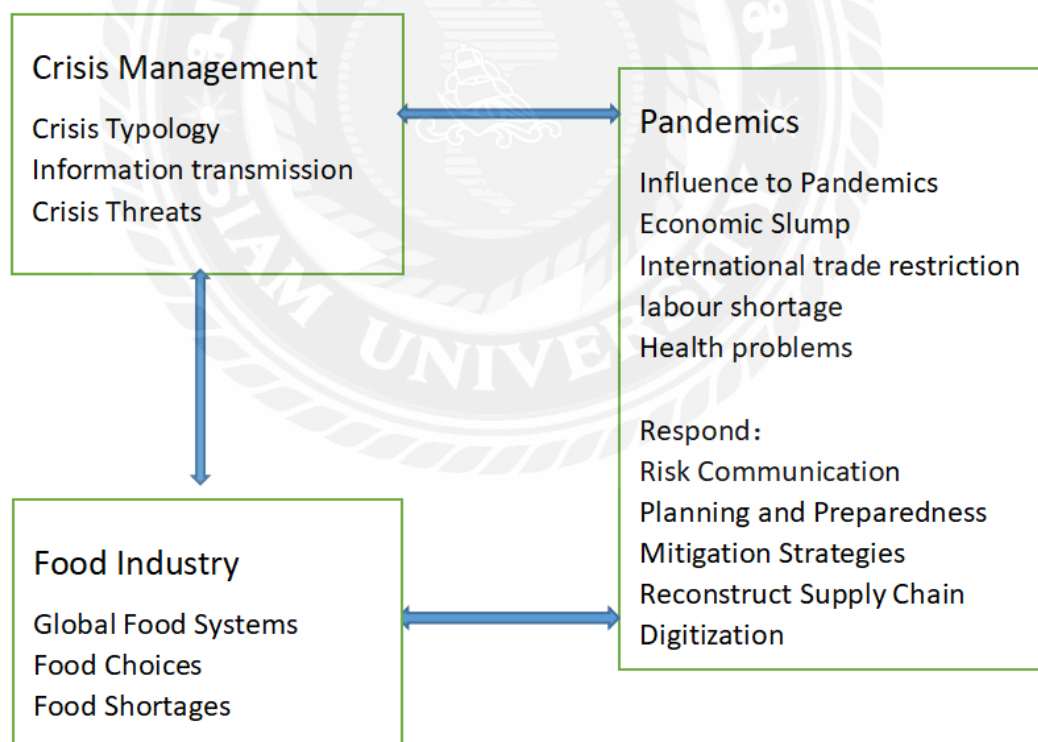


Figure 1: Conceptual Framework Model

4. Finding and Conclusion

It is plausible to conclude from the literature assessment above that pandemics, the food industry, and crisis management are interconnected and impact one another.

The total asset profit margin is an important index to assess the profits earned by businesses employing the total amount of creditors and owners' equity, as well as an index to reflect the full utilization effect of firm assets. As observed in Figure 2, Xiwang Food's total asset profit margin is typically maintained at around 5%; however, the range of variation is -10.46% to 5.92%, and the field is more than 15%, indicating a dangerous trend. This component primarily illustrates the likelihood of an unpredictable profit margin on total assets: The supply chain and sales of Xiwang Food Company has been significantly impacted by the global COVID-19 outbreak.

<i>project \ year</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
<i>Total assets profit margin (%)</i>	2.55	4.94	5.92	-10.46	4.28	2.91

Figure2:Profit margin on total assets of Xiwang Food from 2016 to 2021

Data from Xiwang Food,2022.

From a societal perspective, the COVID-19 pandemic has had some adverse effects on the food supply chain, with labor shortages and declining food security being the most prevalent and severe. Every link in the food chain experienced at least a temporary labor shortage due to worker mobility constraints and health issues. According to research, this caused particularly severe disruptions in the labor-intensive industries of animal breeding, horticulture, and grain processing (Stephens,2020).

5. Recommendation and Discussion

Currently, The COVID-19 pandemic has mostly had an impact on the global crop and supply of agricultural raw materials. The food supply chain is temporarily impacted by events like production halts and border closures. A significant reduction in food sales was also caused by disruptions in the food supply chain and a dip in demand. To withstand crises over the long term, an emphasis on complexity, communication, and risk management is crucial.

Therefore, food companies should consider economic issues while developing an effective strategy, as well as the costs associated with increasing inventories. To deal with the adverse effects of COVID-19 on food raw material production cuts and supply chain disruptions, businesses could also add timely food raw material purchases and expand the size of their food raw material warehouses. By doing this, companies might prevent production halts brought on by a lack of raw food materials and decouple geopolitical measures from governments, such as border restrictions.

Supply chains that have been digitalized help with this and offer several benefits. Among other things, it can provide continual communication between all parties involved in the supply chain and real-time tracking of commodities (Casey & Wong, 2007; Mansfield-Devine, 2017). Enterprises should attach great importance to risk management. All significant customers and suppliers should develop plans. The ideal situation would be for risk management to be digitalized similarly to supply chains. Companies can also become more adaptable, structured, and responsive to disruptions by incorporating a cross-enterprise supply chain monitoring system (Pató & Herczeg, 2020).

Although the growing COVID-19 outbreak may severely disrupt many businesses, we can lessen the potential effect by organizing, coordinating, and planning to stop the disease (Managing Coronavirus in The Food Industry, 2022).

The earnings of a corporation are measured by return on equity. As noted in Figure 3, Xiwang Food's return on equity has dramatically grown since 2016, which is tied to the company's acquisition of KERR in 2016. The return on equity of Xiwang Food, however, started to decline gradually in 2019 as a result of the global COVID-19 epidemic, even falling as low as -19.19%. This demonstrates that Xiwang Food's return on equity has been unstable recently because of the global COVID-19 outbreak.

<i>project \ year</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
<i>Return on equity (%)</i>	6.78	15.44	19.01	-19.19	8.63	4.94

Figure3 :Return on equity of Xiwang Food from 2016-2021

Data from Xiwang Food,2022.

The distribution and supply chains for Xiwang Food were severely impacted by COVID-19, which made their financial troubles worse. To do this, I propose the following: (1) Employ a Professional team to address the economic problem actively. By using the daily, monthly, and quarterly financial reports to change the company's policies timely, gather market data, and revise the business plan. (2) Build and invest in industrial parks for raw materials. In addition to mitigating the effects of the upstream market's growing raw material prices, investing in developing one's own modern, high-tech raw material industrial park can also boost local employment, to some extent, advance local agriculture modernization. (3) Examine the local Chinese market more closely. The Chinese market is one of the biggest in the world, as is well known. Therefore, Chinese businesses must effectively utilize their advantages in the Chinese market. To manufacture and advertise items that are more suited for Chinese consumers and establish a solid foothold in the Chinese market, we must closely examine the psychology and behavior of Chinese consumers. Online and offline marketing should be combined. Offline storefronts will no longer be primarily used for sales; instead, they will serve as spaces for display and customer interaction. In the future, neither offline physical companies nor pure e-commerce businesses will exist in China. A new retail model that combines brick-and-mortar stores and online retailers will become popular in the future, and both online and offline products will have the same quality and price.

In conclusion, this study's findings show that: Food companies cannot grow blindly; instead, they must adhere to the principles of sustainable growth and maintain an optimized capital structure based on long-term growth. Food corporations should also develop crisis management reaction plans as soon as possible to deal with the pandemic's unexpected effects.

China has gradually loosened its limitations on overseas travel and resumed and increased international flights since January 8, 2023. The Chinese government has also been modifying its epidemic prevention strategy because the COVID-19 outbreak is still ongoing. It is anticipated that China will gradually expand its doors. I shall thus keep an eye on COVID-19's effects on the food industry. I'll continue to conduct the study in this field. They won't stop, either.

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