

Spending: Austerity plan hits catering industry

FROM PAGE 1

Beijing, Shanghai and Hangzhou in Zhejiang province, hosted the highest number of international conferences in 2012, the blue book said.

"These cities have good facilities, rich tourism resources and convenient transport, but industrial bases, plus the technological, cultural and educational resources are the most important factors," said Wu.

Zhong Bing, an industry insider who publishes Mice China magazine, said that for many hotels and service providers, revenue from government meetings, conferences and related businesses has fallen by nearly 70 percent. Conference centers and hotels that mainly target government meetings and banquets have been the most severely affected, with a 90 percent decline in revenue compared with 2012.

Foreign-invested hotels and conference venues have also hosted fewer events. The reduction in spending on meetings and banquets from government departments and organizations and related enterprises is more visible in smaller cities because of stricter implementation of the policies, said Zhong.

"No official wants to risk their career for a lavish meal," he said. "In the era of Weibo (micro-blogging services) and WeChat (instant messaging services), any wrongdoings can be publicly exposed much more easily."

Zhang Yuan, a banquet sales manager at a five-star hotel in Beijing under a leading global hospitality chain, said that in addition to the declining number of meetings and conferences since the beginning of last year, the average spending has halved to about 100 (\$16) to 200 yuan per person, per meal.

Government procurement, which does not include foreign-invested hotel brands, has sometimes considered their services, but since the implementation of the policy the average spend has almost disappeared, resulting in a loss in business revenue of nearly 20 percent, said Zhang.

Any government-related meetings and conferences have been conducted according to the principle of austerity, she said. "No flowers, no liquor, and fewer dishes. Meetings moved back to offices, and trips were scrapped."

To deal with the sudden drop in demand, Zhang's hotel has offered a reduction in banquet rates to lure more customers. Even consumption at wedding banquets has been affected by the austerity cam-

Moutai showing the right spirit in tough environment

By LYU CHANG in Beijing and ZHAO KAI in Guiyang

The company that makes Moutai, a staple of lavish Chinese banquets which dates back to the Song Dynasty (960-1279), plans to fight back against the hard times it has endured since the central government's anti-corruption agenda put the nation's favorite liquor in a tough spot.

Kweichow Moutai Co Ltd, a Guizhou province-based distiller, plans to launch a customization marketing company, in which Du Guangyi, deputy general manager of Kweichow Moutai, will hold a stake of 70 percent and an investment company in Beijing will take the rest.

"Our target is to reach 1 billion yuan (\$165 million) this year for our customization business," said Moutai's Chairman Yuan Renguo on the sidelines of a provincial government meeting in January. "The reason we are doing this is that we feel the need to give more options to individual consumers rather than simply relying on sales to government departments."

He said the group expects sales worth 5 to 10 billion yuan within the next three to five years through the



A local resident peeks into a high-end restaurant in Beihai Park in Beijing. The restaurant closed amid a government crackdown on lavish spending.

KUANG LINHUA / CHINA DAILY

The first season of the year has seen almost no wedding bookings. Although we don't know how closely related that is to government policy, it's clear that an increasing number of people want a lower-profile event, rather than being the target of public blame."

ZHANG YUAN
BANQUET SALES MANAGER AT A FIVE STAR HOTEL IN BEIJING

paign. "The first season of the year has seen almost no wedding bookings," she said. "Although we don't know how closely related that is to government policy, it's clear that an increasing number of people want a lower-profile event, rather than being the target of public blame."

The government initiated an anti-



A high-end restaurant now offers low-priced dishes to customers amid the government move to crack down on lavish spending.

YAN YAN / XINHUA

corruption campaign aimed at the medical industry in July, after conducting an investigation into the British pharmaceutical giant GlaxoSmithKline.

According to the public security authorities, since 2007 the company had used travel agencies to funnel at least 3 billion yuan in bribes.

But for many travel-service providers, crises such as these could help to consolidate the industry and phase out those who engage in illegal practices.

"The GSK incident and the government's austerity policies will help the MICE industry get back to normal," said Ma Xiaoqi, deputy gen-

eral manager of Grand China Mice, a services company launched two years ago, under the HNA Group.

The company's annual revenue was unchanged year-on-year and annual growth in 2012 was 20 percent. However, Ma is confident of higher growth next year, given the existing demand from enterprises.

"Meetings and conferences as a major channel for marketing and sales will remain unchanged," she said. "Companies will not cut spending. But they will hold events in a more transparent way."

This year, Ma has noticed that some clients have requested four-star venues instead of five-star, but often the conference halls in the smaller hotels are too small for the large number of attendees.

Ma also said that as foreign companies have moved their operations to second- and third-tier cities, from the eastern regions to western and central China, demand for venues in those areas is higher than ever before.

Contact the writers at wangzhuoqiong@chinadaily.com.cn and wangwen@chinadaily.com.cn

TOUGH TIMES TO CONTINUE

Government policies to curb lavish spending of public funds continue to squeeze the profits of high-end restaurants, despite efforts to target non-governmental trade, according to an industry report.

The report said the China Cuisine Association's attempts to boost the number of non-governmental customers produced a slowdown in profit decline in the third quarter of 2013.

The association said the industry has been improving slowly, with a 8.9 percent year-on-year rise in revenue in the first three quarters of last year. Growth was down by 4.3 percentage points, but the decline was slower than that seen in the first half.

Prospects in the restaurant industry fluctuated after a downturn in July. Between January and August year-on-year growth rose in just a few provinces, such as Hainan, and in Shanghai.

Moreover, trade at high-end eateries remained sluggish and revenue growth was negative.

Take-out and delivery services grew 30 to 40 percent compared with 2012 and group sales revenues for some caterers doubled in the third quarter.

The association predicted that the figures would show low-level growth in the fourth quarter of 2013, but said the industry would see double-digit revenue growth for the whole year.

Many high-end restaurants nationwide have either closed or were forced to change their core business to cater for individuals, rather than government departments or institutions, since the first quarter of 2013.

Su Qiucheng, director of the China Cuisine Association, said the high-speed growth previously seen in the catering industry hit a stumbling block last year, as the government crackdown on extravagant use of public funds began to bite. "It's a process of reshuffling and upgrading," said Su.

—WANG ZHUOQIONG



Low-priced liquor is prominently displayed at a supermarket in Beijing, as high-end liquor products lose appeal on the market following a government crackdown on extravagant spending.

LEI KESI / FOR CHINA DAILY

Carlton hotel in Beijing, a single bottle of the 50-year-old blend can sell for as much 78,888 yuan.

Moutai's high price has made it an easy target of the government's ongoing campaign against the use of public funds to buy luxury items.

The company's share price slid so quickly that it suspended trading of its stock in mid-December. The company has seen a 28 percent

share price drop from a peak last year in July.

The price of a bottle dropped by one-third from 2,250 yuan to 1,500 yuan within three months and has now fallen even lower, to around 1,300 yuan.

The effect of the government crackdown is being felt throughout the whole distilling industry. The inventories of 14 listed enterprises

involved in the white spirits industry surged 23.6 percent to 35.6 billion yuan in the third quarter of last year, while revenue fell 12.25 percent to 5.72 billion yuan.

Last year, the brokerage Huatai Securities Co issued a report showing that many sectors, including the real estate, luxury goods, and liquor industries, are expected to take a hit amid the continuing campaign.

12.25 percent

the drop in sales revenue of 14 listed white spirits companies in the third quarter of last year

But many liquor dealers are keeping faith with white spirits, even those that sell Moutai, said Wang Song, general manager of Guizhou Liquor Exchange, an institution for liquor trading and financing in Guizhou.

Wang said the lower price will attract more non-governmental customers to purchase the white spirit and 200 tons of Moutai, worth 500 million yuan, will be traded at the exchange as financing vehicles.

"Customers can purchase Moutai just like other futures product and they can decide to hold onto it or to sell at a higher price, according to the market trend," he explained, adding that there will be an increasing number of transactions of the liquor.

Sales of Moutai climbed to 40.2 billion yuan in 2013, up 13.8 percent year-on-year, with net profit of 22.2 billion, an increase of 12.75 percent. The target for this year is 45 billion yuan, with a growth rate of 12.5 percent, said the company.

Although it remains unknown if the company will continue to struggle, it seems that Moutai won't abandon its desire to push forward, just as it is. Referring to the company's recent woes, Yuan commented, "the sun always comes after the rain."

Contact the writers at lvchang@chinadaily.com.cn and zhaokai@chinadaily.com.cn