

# Research on The Innovation of Financing Model Under the Digital Transformation of Catering Micro and Small Enterprises

Fang Fang, Shijia Tang

School of Economics and Management, Chongqing University of Posts and Telecommunications 400065, Chongqing, China

**Abstract:** Catering micro and small enterprises have been disadvantaged in financing, with narrow financing channels and high financing costs. With the arrival of digital economy, various innovative financing models such as big data credit, supply chain finance and tax-for-loan have emerged. According to the stage of digital transformation they are in, catering micro and small enterprises should choose these innovative financing models in a timely manner to solve their financing difficulties and expensive financing problems.

**Keywords:** Catering, Micro and small enterprises, Digital transformation, Financing models.

## 1. Introduction

In recent years, the number of micro and small enterprises in China has proliferated and become an important part of the national economy. Catering micro and small enterprises refer to those with less than 100 employees and operating revenue of less than RMB 20 million. MSMEs play an important role in improving people's livelihood, solving employment and promoting national economic development. However, due to their small scale of operation, few collateral assets, outdated management style and low transparency of financial information, they are in a disadvantaged position in financing activities and face difficulties in financing and expensive financing. In the context of the digital economy, many innovative new financing models have emerged. Small and medium-sized catering enterprises undergoing digital transformation can choose reasonable new financing models at different stages to break through the financing bottleneck and achieve their sustainable development.

## 2. Meaning and Stages of Digital Transformation of Catering Micro and Small Enterprises

### 2.1. Meaning of Digital Transformation of Catering Micro and Small Enterprises

Digital transformation of catering micro and small enterprises refers to the use of digital information technology and digital equipment to innovate and transform their business processes, operation management, organizational structure and profit model in order to improve production efficiency, reduce operating costs and increase business income. It is a comprehensive and all-round transformation process from management to operation, from production to sales, and from leadership to staff. In the era of digital economy, digital transformation has become an inevitable choice and a necessary path for catering enterprises, replacing "people" with "data", building a value creation system with data as the core element and obtaining profits from it, becoming the centre of catering enterprise operations.

(2) Stages of digital transformation of catering micro and

small enterprises

### 2.2. Digital Transformation Stage

(1) Internal communication - employees

The SME Digital Transformation Pathway Report points out that 70% of F&B micro and small enterprises have the idea of digital transformation, but it is difficult for them to take relevant transformation measures due to difficulties in bearing the high transformation costs and lack of relevant knowledge. Even if a small number of enterprises have carried out digital transformation, they are still in the initial stage of transformation due to their lack of technical talents and one-sided understanding of digital transformation. Therefore, in order to implement digital transformation more smoothly, the first step is to raise awareness of digital transformation through internal communication, clarify the commitment to digital transformation, discuss digital transformation strategies, implement refined management, improve the organisational structure, clarify the division of responsibilities and stimulate the work of the whole company. At the same time, technical talents are introduced and relevant hardware facilities are purchased to prepare the foundation for the transformation.

(2) Management docking - supply chain

The supply chain of the catering industry is a problem that every catering enterprise must pay attention to and solve at the early stage of development, but the scale of the supply chain varies depending on the stage of the enterprise. The digital transformation of the catering supply chain is to take the catering enterprise as the core, treating raw material procurement, production and processing, transportation, storage and distribution as one node and linking them together, coordinating and linking the relevant subjects of each link in the chain by means of information technology, and integrating the organisational forms of logistics, information flow and capital flow of all nodes. The main subjects in this chain include raw material suppliers, manufacturers, distributors, caterers and customers. However, because the process of digitalisation in the layout of catering micro and small enterprises is not a one-step process but a gradual one, they are fragmented in their choice of suppliers for different links, lacking structural thinking, and are numerous and ponderous.

The service providers of different ports are not well compatible and interoperable in terms of information, data and technology, and can only be applied in a single scene, unable to form a whole, thus causing the flow and data to be fragmented and forming information silos. Therefore, enterprises must pay attention to the construction of the supply chain system and use digital integration of the supply chain system. At present, many third-party logistics companies are developing into supply chain management companies. It is a good strategy for small and medium-sized catering enterprises to gain better development by cooperating with third-party logistics companies.

### **2.3. Digital Upgrading Stage**

#### **(1) Traffic acquisition - platform**

Under the pressure of industry involution, disappearing demographic dividend and epidemic impact, it is more and more difficult to obtain shop traffic. Catering micro and small enterprises should shift their attention to online, using takeaways and shopping malls as revenue growth points. Catering micro and small enterprises can choose to invest in big digital platforms such as Meituan, HungryMall and Taobao. However, it should be noted that although these channels can have an immediate effect, the cost of fees is high and the traffic cannot be retained for a long time, which will put the business under greater operational pressure in the long run. In such a situation, small and medium-sized catering enterprises must realise the importance of private domain traffic and consciously operate their own private domain traffic. For marginal businesses, they can rely on third-party digital platforms, but when it comes to core business, especially in customer transactions, enterprises need to have some ability to build and maintain their own platforms to ensure the safety of core data to avoid losses.

#### **(2) Demand foresight - customers**

Companies at this stage have a better understanding of what products customers want and when they want them. This is because they have the ability to perceive and respond to demand in a timely manner. Companies with a high level of analysis and intelligence are able to translate their vision into reality through the increased automation of their systems and the effective expansion of their enterprise resource planning (ERP) and product lifecycle management (PLM) systems. At this point, companies are already highly connected to their suppliers and need to make the most of advanced data analytics and machine learning to locate and respond to consumer needs, while using automation and advanced manufacturing technologies to locate customer segments, determine demand production times and produce products that meet customer needs, making the network predictable.

## **3. New Financing Models in The Context of The Digital Economy**

### **3.1. Big Data Credit**

In the past two years, the community delivery and takeaway industries have developed rapidly due to the impact of the epidemic, and many small and micro catering enterprises have taken some digital transformation initiatives with them, such as launching takeaway platforms and launching WeChat mini-programs. These platforms not only bring together the basic information of F&B MSMEs, but also record other broader information on the daily operations of F&B MSMEs, including sales volume, sales, best-selling

products, peak sales periods, customer reviews, customer information, etc. In the era of digital economy, data resources have their own important value as a new production factor. Through the mining and analysis of these data, the platform can understand the business status and development potential of catering micro and small enterprises, and make an accurate portrait of them by relying on a large amount of accumulated data, and as the data held by the platform increases, the positioning of them will be more accurate. These data are an intangible asset of the small and medium-sized catering enterprises. With the analysis of these data, the suppliers of funds can make a more comprehensive and accurate risk assessment of the catering micro and small enterprises, and price the lending or placement of funds reasonably.

### **3.2. Supply Chain Finance**

At the stage of digital transformation of F&B micro and small enterprises, the supply chain is the key object of their attention. Supply chain finance is essentially corporate financing based on real trade between upstream and downstream enterprises. MSMEs can cooperate with third-party logistics companies that have transformed into supply chain management companies. These logistics companies have a system that enables them to monitor the whole process from product production to consumption, putting all aspects from farms, factories, warehouses to cold chain logistics in the same system for information management, recording every flow process in detail and mastering circulation data in all aspects. They act as information service providers, pushing logistics data and information of catering micro and small enterprises directly to financial institutions, assisting them in completing enterprise risk investigation and customer profiling, significantly reducing the due diligence costs of financial institutions. Compared with the traditional supply chain finance model, it overcomes the problem of difficult and expensive financing for small and micro enterprises due to their disadvantaged position in the supply chain and the lack of open and transparent information.

### **3.3. Tax-for-loan**

Tax-for-loan refers to the preferential financing policy provided by commercial banks and other fund providers to enterprises with good tax payment status, opening up a green channel to exchange a certain amount of tax paid upfront for the corresponding loan amount. Paying taxes on time and in full is the responsibility of every enterprise, but it also places higher demands on the financial management of the enterprise. In the first phase of digital transformation, the digital conversion phase, a catering micro-enterprise has to introduce technical staff along with the corresponding technical equipment. They should take the lead in digital transformation in finance, such as introducing financial robots to reduce the workload of finance staff and streamline the number of finance staff; using cloud accounting's financing management framework for MSMEs, namely SaaS (Software as a Service), PaaS (Platform as a Service), Daas (Data as a Service) and IaaS (Infrastructure as a Service), to help MSMEs establish a sound financial accounting system and improve their financial management. In addition, MSMEs can also work with bookkeeping companies to use their more advanced financial management systems to improve their financial management capabilities to ensure that they can better meet their tax obligations. In the digital upgrading phase, as the transformation measures of the enterprises bring

better results, the business income increases and at the same time, due to the regulation of the financial system, the enterprises can use the tax-for-loan model to raise funds. However, this model requires relevant policies from commercial banks and other financial institutions to be better implemented.

## 4. Conclusion

The financing problem of catering micro and small enterprises is ultimately a credit problem, and the credit problem stems from the information asymmetry between the supply and demand sides of the funds, and the supply side of the funds is at an information disadvantage. The advent of the digital economy has provided a solution to this problem. Big data has broken the boundaries of time and space, broken the barriers of the industry, and connected the platforms to share data in real time as well as to store, analyse and mine the data, giving rise to a variety of new financing models such as big data credit, supply chain finance and tax-for-credit, etc. However, to apply these new financing models, it is necessary for catering micro and small enterprises to undergo digital transformation and to work with the different stages of digital transformation.

## Acknowledgment

[This paper is part of the research results of Chongqing University of Posts and Telecommunications' Research Training Program for Undergraduates: Research on the innovation of financing model of micro and small enterprises under the digital transformation (K2022-64)].

Author Biography.

Fang Fang: (2001.4-), female, Zhongxian, Chongqing, is an undergraduate student of accounting in the School of Economics and Management, Chongqing University of Posts

and Telecommunications. Her research interests include digital transformation of enterprises and corporate finance. Address: School of Economics and Management, Chongqing University of Posts and Telecommunications, Nanan District, Chongqing, 400065, China. Tel: 13588126579.

Tang Shijia: (2000.12-), female, Chongqing Hechuan, Chongqing University of Posts and Telecommunications, College of Economics and Management, undergraduate in accounting. Her research interests include digital transformation of enterprises and corporate finance. Address: School of Economics and Management, Chongqing University of Posts and Telecommunications, Nanan District, Chongqing, 400065, China. Tel: 13527513244.

Translated with [www.DeepL.com/Translator](http://www.DeepL.com/Translator) (free version)

## References

- [1] Yuan Chaofang. Study on the characteristics of business management of micro and small enterprises [J]. *Economist*,2021,(12):282-283.
- [2] Xu Hui, Xi Jinjin. Innovation of financing mode for small and micro enterprises [J]. *Modernization of shopping malls*, 2020,(19):87-89.
- [3] Dai Haiming. Exploring the financing strategy of small and micro enterprises under the network crowdfunding model[J]. *China Management Information Technology*,2021,24(12):159-160.
- [4] Xue Xiaofei, Zou Satellite. A comparative study of supply chain finance models in China's catering industry--an analysis based on the cases of "Chopsticks Lai Cai" and "Meituan"[J]. *Hainan Finance*,2019,(05):81-87
- [5] Ma Changqi, Wang Tiantian. Exploration of the management framework of financing for small and micro enterprises based on cloud accounting in the context of big data [J]. *Journal of Xingtai College*,2022,37(01):90-93+98.