

Major Findings from Fresh Products Distribution Center

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With the 10 years development, Chain Supermarket Industry of China is changing from the extensive form to a intensive one. Distribution plays an important role in improving efficiency. Fresh products logistics and distribution helps to make differences between enterprises and enhance the efficiency especially.

1. Develop the fresh products distribution center is of great significance for the running of supermarket.

First of all, promoting the development of fresh products distribution center in supermarket is an important way to solve the circulation problem of agricultural products. Setting up the fresh products distribution center in supermarket would improve the efficiency of supplying chain, to agricultural products especially, and satisfy the expansion of the agricultural products and the demand diversity. That is beneficial to guiding the production activities for the farmers and promoting the industrialization of agriculture . Secondly, fresh products distribution center contribute to satisfy the consumers with food security and diversification in a better way. Thirdly, fresh products distribution center will help to solve the existing problems such as high commodity similarity, low commodity replacement rate and the lack of diversity and character in operation. And it's favorable for rising the profit of fresh food.

2. The basic running mode of fresh food chain supermarkets.

At the begining, on account of management complexity, high attrition rates of fresh food operation and limited management capacity of supermarket, rental counters and joint ventures are usually the popular ways of selling fresh food. With the maturity of the supermarket business, in order to give batter control over the variety, price, quality, and management to gain higher gross profit, the supermarket begins to use the self-employed mode to run the fresh food business.

There are two main ways to do fresh food business in self-employed mode. The goods are sent to the stores directly after procurement is one way. And being sent to the distribution center is another one. Then the center takes full responsibility for the transport, storage, re-processing and distribution. The stores have great autonomy in fresh food management and

control in the first way. But the decentralized procurement, transport and storage lead to higher costs and great wear and tear, which makes the scale economy become difficult. The type and quality of food can not be Guarantee stability, and what's more is that processing is quite limited. While the second way can concentrate all the demands. Through the unified procurement, transport, storage, processing and distribution, with the professional equipment, technology and management, the value of perishable goods can be realized in a better way. However, abounding funds and high level management of the enterprise would be required. In addition to fresh products distribution center self-built by supermarket, some third-party logistics enterprises tend to participate in this business. But it's still within a relatively narrow range, mainly for refrigerated foods. No third-party logistics centre with great re-processing capacity has arisen yet.

Japanese consumers and Chinese consumers have similar characteristics in fresh food consumption, therefore, the development of fresh products distribution center in Japan can give China an important reference in this field. The single-sector mode, integrated mode, raw-D0 mode, suppliers mode and modern processing center mode are the five phases in the development of Japanese fresh products distribution center. At present, fresh products distribution centers in Japan are used as a supply process. In that crucial process the fresh food are given the primary processing and sold wholesale. The circulation of Chinese agricultural production still exists many problems on account of its decentralized. But with the growth of the supermarket business, the fresh food supply chain and distribution chain will be gradually improved.

3. The development status of supermarket fresh products distribution center and the major issues.

The development status of supermarket fresh products distribution center:
<1>Few establishment and low use ratio. According to the survey, the utilization rate of fresh products distribution center in supermarket industry is not more than 3 percent. And the equipment and distribution capacity is quite limited besides.

<2>Enterprises increase attention. People who has been in use of fresh products distribution center directly under the leadership of general manager and vice president accountes for 78 percent. Within those who are not users, 62 percent of the enterprise respondents show their interest in using it. And 5 percent of the enterprises have already considered or begin to do operation and invest in building distribution centers.

<3>The cold chain principles are widely used. The quality of the cold chain

in the supermarket fresh products distribution centre is relatively good, which mainly reflected in the storage and transportation. Come to Storage, all of the feedback enterprises use the refrigerated warehouse and the sojourn time of fresh food in loading and unloading area has a specific provision. For transport, refrigerated trucks are basic guaranteed.

<4>. Give effective control over fresh food inspection and storage time. According to the survey,all the fresh food distribution centers are equipped with food safety testing laboratories.The shorage life of food and raw materials are checked regularly. All of the fruits,vegetables, self-produced and processed foods with a short shelf life are sent to stores in one day.

The main issues in the development of Fresh products distribution center

<1>Funding limitation constraints the development. According to the survey, construction of the fresh food modern distribution center with a 10,000 square meters around and equipment investment needs about 40 million yuan (excluding land costs). According to the present average profit level of Chinese supermarket industry, it's equal to the annual profit of a supermarket with a sale volume 4 billion yuan per year.

<2>Efficiency and management is still in the lower level. Domestic retail stores owned enterprises of different sizes and distribution. Complex status,different distribution characteristics and requirements from different industries reduce the efficiency of the distribution centers. Most current fresh food distribution centers are in a quite small size, with simple function, and just in charge of the distribution for few commodities.

<3> Occupating coefficient of modern management techniques is low. The GPS and temperature detection devices utilization rate of the transport vehicles in the investigation is 10% and 35%. In the working areas, only 30% of them use temperature control equipment like wind screen. The utilization rate of automatic transmission, automatic sorting equipment is as low as 13%. It's a sample of good companies in the industry, so the industry average is even lower. The information system is usually sold as an entia. It's hard to meet individual needs.

<4>The reprocessing capacity is too small. Enterprises in the survey, 75 percent of them make sorting for the fruits and vegetables, 37 percent of them do split charging after the sorting,and only 25 percent of them

do in-depth processing, refined package to fruits and vegetables after basic sorting.

<5>The rate of wear and tear is very high. According to the survey, goods average loss rate in fresh food distribution center is 2% (by adding the loss in end-sales links, the overall loss rate is 4-6 %), much higher than that of the general merchandise business, which is just 3-5 %.

4. What it is lead to the restriction in the development of fresh food distribution center in China?

<1>. Part of supermarkets still use joint-ventures or rental counters to operate fresh food business, which can not support the construction of fresh food distribution center.

<2>. The overall level of cold-chain is not high. The main fresh food distribution is at room temperature or in natural distribution form without coherent cold-chain system. The quality of the supermarket fresh food distribution centre is limited by the entire cold chain system

<3>. Facilities and road traffic requirements. Compared with the United States and other developed countries China still has a long way to go. When and where should the vehicle start off, and park are restricted in many cities and regions.

<4>. Fresh commodity specifications, quality is not standardized and complicated to operate.

<5>. Enterprise funds is inadequate.

5. Main future develop modes of running supermarket fresh food business.

Firstly, the supermarket build up the fresh food distribution center itself. Make full use of large supermarket chains and stability of the enterprise network and the scale agricultural products procurement needs from store sales to expand agricultural product supply chain to the upstream. Through investing in the establishment of agricultural production base, or signing purchase contracts with the producers, give control over the types, quality, and specifications of agricultural products. Guide the farmers production actively, and realize the standardization in products quality, processing and management. Enlarge the re-processing capacity of fresh food distribution center, fully tap the add value of products. Through home-made, processed food sales, raise operating profit level of fresh merchandise stores, and enlarge goods differentiation of supermarket stores. Raising

the technological level of distribution centers, including the hardwares like information technology systems, bar code technology, GPS, temperature detection devices, transport and automatic sorting system conditions and the introduction of advanced management techniques and concepts. In addition, when retailers come to a certain size, they can also bear part of the wholesale business.

Secondly, use professional third-party fresh food distribution center. The demand for fresh food distribution service brings development opportunities to a third party. Services for supermarkets from the third-party fresh food distribution center needs strong investment and maturity demand networks, advanced information systems and professional management team.

Thirdly, setting up logistics Union (Joint Logistics). Logistics Union is a strategic alliance on the basis of the logistics business. Through various agreements and leases, the enterprises achieve their respective strategic goal by the form of having complementary advantages, risk-sharing and interest-sharing. Supermarket fresh food business needs logistics in a large scale, but the logistics long-period fall behind such as lack of logistics equipment, backward technology, shortage of funds, and so on. This contradiction can be resolved by the logistics Union.

Several retail enterprises geographically close to each other can join together and found a Logistics Alliance. They can focus on different areas (such as room temperature logistics, raw materials, dry goods logistics, etc.) and separately set up different distribution centers. All the members of the Union share all the distribution centers. Alliance also can bases on the variety of supply chain. The relations of cooperation is formed on the basis of logistics in supply chain including the production, procurement, transport, storage, sales and service.

6. Proposals for the construction of the supermarket fresh food distribution center in China

<1>. To provide policy support. Related government departments should play an active role in macro-control, increase the overall planning of setting up our raw materials distribution center, and work out relevant laws and regulations. Improve the food safety management in the entire supply chain, encourage supermarkets enterprises to extend to the upstream of agricultural supply chain and promote the transformation of wholesale markets and agriculture markets. Government should through financial support, land policy, technology transfer, tax incentives and other direct way to support the construction of fresh food distribute center, but also

should carry out the necessary coordination with related departments to the restrictions in the process of transportation and difficult agricultural products issues such as tax deductions to guarantee the delivery unhindered in the entire cold chain, and reduce the wear and tear of the fresh food as far as possible.

<2>.To provide financial support. Suggeste that relevant government departments give financial support such as interest-free or low-interest loans, or other supportive resources to some domestic enterprises which are running well,come to a certain size and have great potential.It'll enable domestic enterprises to form competitive advantage gradually.

<3>.To promote the new technologies. The development of modern logistics system must rely on modern logistics technology and equipment. Therefore, we should increase investment, a positive development and the introduction of advanced management methods and equipment. All the new technologies of various fresh food storage and transport should be popularized as soon as possible.

<4>.Promoting third-party logistics and logistics Union. Give publicity to the advantages of the third-party logistics enterprises,expand the demand for fresh products distribution, nurture and grow the third-party logistics enterprises and give full play to specialization, scale and organized advantage of it. Logistics Alliance as a new form of logistics, needs the government to coordinate the different industries and enterprises to introduce the concept of Logistics Union supermarket chains stores and make it play an active role in the field of fresh food distribution. Strengthen fundamental construction, encourage the establishment of Joint Logistics between enterprises and share it, reduce the business investment and save social costs.

<5>. Speed up the training of professionals in the field of fresh products distribution.

Set up a long-term and stable system for the senior management personnel training in the field of fresh products distribution. We can promote cooperation between the enterprises, foreign-related institutions and relevant institutions and improve the employees comprehensively by on-the-job training and studying fresh products distribution technology abroad. Distribution is an important means of improving efficiency. Fresh products distribution expands the varieties between enterprises, enhance the efficiency and increase the benefit.