

## **Research on Fresh Product Logistics of Chain Supermarkets ---Yonghui Supermarket as an Example**

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**ABSTRACT:** *With the rapid development of China's economy, more and more people choose to buy fresh products from supermarkets. The status of fresh produce in supermarket chain is increasingly important. The cold chain logistics began to be taken more and more seriously. The quality of fresh product of chain supermarket will be influenced by the level of logistics operation, and it will also affect the management cost of chain supermarket and the level of customer service. Taking YongHui supermarket as an example, this paper starts from the problems existing in the supermarket's fresh environment analysis and the supermarket's management of fresh products logistics. It not only improves the cold chain logistics operation level of fresh products, but also provides a reference for internal trade, business, logistics enterprises and other units in the fresh products cold chain logistics management.*

**KEY WORD:** *supermarket, fresh products, the cold chain logistics*

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Date of Submission: 28-04-2020

Date of Acceptance: 11-05-2020

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### **I. INTRODUCTION**

With the rapid development of China's economy, chain supermarkets have risen rapidly in China's retail industry. Fresh products are increasingly closely related to People's Daily life and are one of the commodities that consumers buy most frequently. In China, the traditional distribution channel of fresh products is the farmers' market. With the improvement of people's living standard, supermarkets have gradually become the first choice for people to buy fresh products. Chain supermarkets in China have been operating fresh products for more than 30 years. It is pleased that the major supermarket chains have realized that it is an inevitable trend that chain supermarkets become the main channel of fresh products circulation, so they pay more and more attention to the operation of fresh food, and take fresh food as the selling point of chain supermarkets, highlighting its characteristic operation. The fresh produce section began to become an indispensable part of the supermarket chain. The fresh area of chain supermarket is regarded as the lifeblood of chain supermarket operation and the key of differentiated operation, and is an important pillar for chain supermarket to develop "customer gathering power", cultivate "customer loyalty" and improve "customer satisfaction". However, from the perspective of the operation of fresh products in chain supermarkets, there are still some problems. Relevant data show that in foreign countries, the operating profit of fresh products of most supermarket chains is about 20%, while in China it is only 0%~10%. The starting point of this paper is fresh products, fresh products due to its storage, transport and perishable characteristics, resulting in fresh products logistics activities of complexity and specificity. In this background, this paper through the analysis of chain supermarket to live fresh product logistics development present situation, find out its and other domestic supermarket chain in fresh product logistics problems, and puts forward the optimization strategy, in order to improve the chain supermarket to live fresh product logistics management level, enhance their competitiveness.

### **II. ENVIRONMENTAL ANALYSIS OF FRESH PRODUCTS IN CHAIN SUPERMARKETS**

This paper mainly adopts SWOT qualitative analysis method to analyze the fresh product environment of chain supermarkets. This method mainly analyzes the four aspects related to the research object, namely opportunity, threat, advantage and disadvantage. This method can realize a comprehensive, systematic and accurate research on the environment of the research object, which is conducive to finding out the problems existing in the research object and solving the problems according to the actual situation.

#### **2.1 The opportunity**

##### **2.1.1 Policy support**

Supermarket chain operation of fresh products conforms to the needs of social and economic development, and also has the support of the government in policy. The central committee of the CCP, the State Council about the

opinions on some policies to promote farmers to increase income were found ([2004] NO.1) and the central committee of the CCP, the State Council on further strengthening rural work opinions on some policies of improving agricultural comprehensive production capacity ([2005] NO.1), the "speed up the development of agricultural products supermarket chain distribution business, encourage conditional place to farmer's markets into supermarkets in cities, Supporting leading agricultural enterprises to open agricultural supermarkets in cities", "encouraging the development of modern logistics, chain operation, e-commerce and other new forms of business and circulation" and other contents provide a relatively loose political environment for chain supermarkets to operate fresh products. Moreover, support for the development of large supermarket chains was made clear again in the central document NO.1 in 2009.

### **2.1.2 Technical support**

With the rapid development of science and technology, advanced technologies such as cold chain transportation, constant temperature storage, remote monitoring, and electronic information tracing have been developed and become more and more mature. These provide effective technical support for chain supermarkets to operate fresh products, so that chain supermarkets can guarantee the freshness and safety of fresh products.

### **2.1.3 Adapt to consumer demand**

The change of consumer demand level is the internal reason for the rapid development of fresh product management in chain supermarkets. With the improvement of residents' income level, large chain supermarkets, international supermarkets and cross-industry commercial companies will play a more important role in the retail industry. In 2017, the per capita disposable income of urban residents in China reached 25,974 yuan, and the Engel coefficient was 29.3%. The improvement of people's income level and the level of food demand all laid a foundation for chain supermarkets to operate fresh products.

At the same time, the problem of food safety is getting more and more attention in China. In this context, farmers' market, a retail format, has gradually revealed various hidden shortcomings, has not been able to meet people's requirements for health, health and comfortable shopping environment. This also creates the development opportunity for the chain supermarket management fresh product.

## **2.2 Threat**

### **2.2.1 Small-scale farming**

The suppliers of fresh products in China are mostly individual farmers, which are unstable, irregular and poorly organized. The operation mode of small farmers makes it more difficult for supermarkets to reduce the purchase cost of fresh products. First, the transaction costs of supermarket chains and dispersed farmers remain high. Because of the limited output of individual farmers, it is impossible to meet the requirements of chain supermarkets for purchasing fresh products in more batches and less batches, and for purchasing a variety of varieties. Secondly, farmers' product quality management awareness is weak, and the production mode of decentralized management increases the difficulty of implementing production standardization. On the one hand, the decentralized management of farmers increases the supervision cost of standardized production. On the other hand, small-scale farmers are limited by capital and technology, so it is difficult for them to achieve standardized production of high-quality products. These have a negative impact on the operation of fresh products in chain supermarkets, which is easy to increase the purchase cost of chain supermarkets, reduce the turnover speed of fresh products, and increase the circulation loss of fresh products.

### **2.2.2 The logistics distribution link is missing**

The healthy development of fresh products in chain supermarkets needs the support of relevant logistics distribution links. Fresh product logistics distribution system is not fully formed in the domestic large supermarket chains. At the same time, the third-party enterprises engaged in fresh products logistics and distribution are also stunted, and the professional logistics and distribution technology has yet to be developed. These are the important factors that restrict the development of fresh products in chain supermarkets.

## **2.3 Advantage**

### **2.3.1 Consumer trust**

The purchase channels of fresh products sold in China's farmers' markets are varied and not fixed, which makes it difficult to manage product quality. However, chain supermarkets have fewer fresh product suppliers, clear purchase channels, and product quality problems are easier to be regulated. Compared with the farmers' market which is mainly sold by individual vendors, the fresh commodities operated by chain supermarkets are more guaranteed in health, safety and product quality. In addition, the after-sales guarantee provided by the supermarket chain can be well in line with customers' expectations. Compared with individual vendors, supermarket chains are more critical to the quality of fresh products. Only in this way can their reputation be

maintained, as consumers, is more willing to buy fresh products in the supermarket chain.

### **2.3.2 Advantages of shopping environment**

In terms of shopping environment, the one-stop shopping provided by chain supermarkets is more convenient. In this respect, it has more obvious advantages than farmers' market. In chain supermarket, its fresh product sales area will have a person in charge of, to do clean, neat. At the same time, customers also enjoy excellent service. Some supermarket chains also set up on-site processing areas, which can show the process of processing to customers. The comfortable and hygienic shopping environment satisfies the customers' requirements for the shopping environment.

### **2.3.3 Product integration**

The integration of fresh products in chain supermarkets is much higher than that in farmers' markets, and the variety of commodities is more complete. The various combinations of goods offered by supermarket chains provide convenience for people to shop. One-stop shopping way is faster, save shopping time, in line with the pace of modern life. In addition, the innovation and diversification of chain supermarkets in the deep processing of fresh products make them more advantageous than farmers' markets.

### **2.3.4 Low transaction cost**

Through its modern management level, the business reputation gained through high-quality service and the sharing of resources among chain stores, chain supermarkets have greatly reduced the cost of fresh products entering the market, thus achieving the purpose of saving operating expenses. In addition, chain supermarkets can reduce the purchase cost and circulation capital occupation of agricultural products through bulk purchase, unified distribution and chain store sales, so as to speed up the circulation of fresh products with the lowest circulation cost and the least circulation link and reduce the selling cost.

## **2.4 Disadvantage**

### **2.4.1 Slow to react to the market**

In terms of price adjustment, the operators of farmers' markets can adjust the prices of fresh products at any time according to the status of the products, while chain supermarkets need to report, examine and approve at various levels, and the examination and approval process is complicated, which consumes a lot of manpower and material resources, and takes a long time to respond to the market in a timely manner.

### **2.4.2 High operating cost**

Due to its characteristics of large investment scale, high asset specificity and high requirement on information technology, fresh product logistics has significantly higher input in chain supermarkets than farmers' markets. At the same time, the operating cost of fresh products in chain supermarkets is much higher than that in farmers' markets, leading to the fact that the prices of fresh products in chain supermarkets cannot be reduced, while mobile sellers can attract a large number of consumers who pay attention to price without investing a lot of money and equipment.

## **III. FRESH PRODUCT LOGISTICS STATUS OF YONGHUI SUPERMARKET**

YongHui supermarket is a large modern supermarket chain and one of the first retail enterprises to operate fresh products in China. At present, YongHui supermarket has more than 580 chain supermarkets in China, which are distributed in 19 provinces and cities in China. The total operating area is over 5 million square meters.

Fresh products are the biggest operating characteristics of YongHui supermarket chain. The fresh operating area of each supermarket chain reaches more than 40%, and the variety of fresh products is completely available. In the total sales of YongHui supermarket chain, the sales of fresh products accounted for more than 50% of the total sales. In the purchase of fresh products, YongHui supermarket adopted two main modes, the national unified mining and regional direct mining. YongHui supermarket is its own direct purchase of all fresh goods, this is it has been adhering to the concept. It has established more than 20 procurement bases in China. In this way, the advantages of variety and price of fresh products are established. In terms of fresh products preservation, according to the characteristics of fresh products that are not easy to store, short shelf life and easy to waste, YongHui supermarket adopts the strategy of tally at any time. In YongHui supermarket, tallymen need to constantly carry out timely replenishment of the shelves of the products in short supply. As a result, YongHui supermarket fresh product loss can be controlled at around 3%, and many domestic supermarket chains up to 20% loss rate. In terms of fresh food distribution, YongHui supermarket adopts the strategy of dense distribution of stores in the same area and frequent delivery. For multiple stores in the same area, the supermarket delivery fleet can deliver up to three times a day. Because of its high distribution frequency, a single product sent to several stores at a time, the product can be sold out quickly, reducing logistics and storage costs. In terms of supplier

management, according to the 2016 zero-supplier relationship research report, YongHui and retailer relationship ranks the fourth in the monitored national retailers. Compared with other retail enterprises, YongHui supermarket can not guarantee low prices in terms of transaction prices, but in the long run, such a mutually beneficial relationship with suppliers is conducive to talent cultivation and supply chain integration.

#### **IV. PROBLEMS IN FRESH PRODUCTS LOGISTICS OF YONGHUI SUPERMARKET**

As the leading supermarket in the retail industry, YongHui supermarket has a lot to learn from other supermarket chains in the fresh products it operates, but it also has some problems in the logistics of fresh products. Specifically reflected in the following aspects:

##### **4.1 scattered fresh purchasing**

Fresh procurement is the starting point of fresh logistics, from quality to price, as well as timeliness is a very critical link, no problems are allowed. At present, many chain supermarkets in our country have problems in purchasing. The main problem is that the intermediate level of purchasing is relatively complex, which consumes a lot of time and energy, resulting in increased product loss and higher purchasing cost. At the same time, the source of procurement is many and miscellaneous, and there is no cooperation with suppliers.

##### **4.2 the degree of cooperation between suppliers and supermarket chains is not high**

At present, many domestic supermarket chains and suppliers do not establish a stable basis for cooperation. Supermarkets want to find strong, stable and low-cost suppliers to minimize costs. At this time, there will be fierce competition among suppliers, and the profit margins of suppliers will be gradually compressed. At the same time, the supermarket chain in order to reduce their spending will charge into the store to suppliers, the cost of the new product promotion, etc., these to supplier is the extra cost, because sometimes the supermarket own capital turnover does not reach the designated position, also suppliers' payment default, the lead to become more tense relationship between supplier and supermarket, long term supply chain efficiency will decrease.

##### **4.3 lack of technical support for fresh product logistics channels**

In foreign countries, the quality of fresh products from the source of procurement to the end of shelf sales in the process of continuous improvement, but the status quo in China is quite different, often the quality is constantly in decline. Mainly because of the lack of technical support in the circulation process of fresh products. There are technical guarantee and management problems in every link of fresh food entering supermarket chain. For example, YongHui supermarket pays little attention to the transportation and packaging of fresh products, which makes it impossible to guarantee the safety and quality of fresh products on its shelves. In addition, YongHui supermarket directly purchases fresh products from farmers. Due to the weak awareness of farmers in the quality management of agricultural products, the quantity wins the market, and the product classification often fails to meet the standards, leading to a large amount of circulation loss of fresh products before they are put on the shelves for sale.

##### **4.4 The low level of fresh cold chain logistics information**

For the cold chain logistics mode of fresh products, information transmission is extremely important. If the information can be collected and sorted out in the first time, the information can be analyzed and processed in time and decisions or adjustments can be made. An effective solution for responding quickly to the market is a balance between supply and demand. This is the key to reducing operating costs. If the information of supply and demand does not form an effective connection, then the cost of running fresh products in chain supermarkets will increase accordingly. However, at present, there is no sharing of commodity information between supermarkets and their suppliers, which leads to large price fluctuations of fresh products and unreasonable distribution of profits between supermarkets and suppliers.

#### **V. MEASURES FOR FRESH PRODUCT LOGISTICS OPTIMIZATION OF YONGHUI SUPERMARKET**

The biggest characteristic of fresh products is freshness. In order for its characteristics to be fully expressed, consumption should be rapid and the circulation process should be as short as possible. In recent years, with the increase of raw materials and various costs, decentralized and small-batch purchasing activities no longer have a price advantage. Supermarket chain should follow the market trend and obtain the advantage of price and quality by centralized purchase. On the one hand, centralized procurement can make the procurement degree of chain supermarkets more standardized and professional, and the randomness of procurement will be greatly reduced; Second, centralized procurement can be carried out bidding, choose high-quality suppliers for long-term cooperation, the purchase of products not only good quality and price will be preferential; In addition, centralized procurement can reduce the number of sporadic procurement, transaction costs will also be reduced.

### **5.1 strengthen supplier management**

Supermarket chains can work out the selection criteria of suppliers according to their own conditions and then select the appropriate suppliers, so as to carry out long-term cooperation with these suppliers. Supplier management can enable supermarkets to carry out long-term cooperative relations with fresh product suppliers that meet their own requirements, thus greatly reducing transaction costs and ensuring stable rear support for chain supermarkets in the supply of fresh products.

### **5.2 strengthen the standardization of supermarket fresh cold chain logistics**

In order to guarantee the quality of fresh products from purchase to sale, it is necessary to conduct corresponding standardized treatment to reduce wastage and ensure the quality of products. Supermarket fresh cold chain logistics is located at the end of the whole process, mainly for fresh products storage, processing, distribution and sales. First of all, the equipment standards in the logistics process need to be effectively unified, which includes packaging equipment, loading, unloading and handling equipment at the source and destination, and transportation equipment on the way. Secondly, the operation flow of fresh agricultural products needs to be regulated. Such as: the standard packaging of the product, and the specification of the packaging must be suitable for carrying tools to carry, at the same time convenient in the warehouse, transportation tools stacked, so that can greatly save circulation time.

### **5.3 build an integrated information platform**

Information sharing among farmers, consumers and supermarket chains can reduce market transaction costs. In the shortest time between partners to obtain the most up-to-date information to help them quickly make appropriate response, better meet the needs of consumers. The role of information technology in the whole process is not negligible. Therefore, chain supermarkets need to build a complete and comprehensive information system. On the one hand, a perfect information platform can improve the working efficiency of cashiers in chain supermarkets and reduce the error rate. On the other hand, it can enhance the ability and accuracy of collecting commodity information and improve the reliability of information. In addition, analyzing the data of the information management system can help the supermarket chain timely find the changing consumer demand, make market preparations, reasonably maintain the inventory level, so as to improve the overall operating efficiency.

### **5.4 create an e-commerce website**

Create your own website and keep it updated. Try to do with the chain supermarket goods synchronization, conducive to the outside world to have a comprehensive understanding of the supermarket, in order to achieve the purpose of attracting customers. In the aspect of fresh product purchase, suppliers of fresh products can provide product related information to chain supermarkets through the network, and chain supermarkets can evaluate and select appropriate suppliers to realize the centralized purchase of fresh products. In terms of product sales, customers can learn about the prices, sales status and customer evaluation of all kinds of fresh products in chain supermarkets through the website, and then place orders to chain supermarkets directly through the website according to their personal needs.

## **VI. CONCLUSION**

Taking YongHui supermarket as an example, this paper analyzes the problems existing in fresh product logistics between YongHui supermarket and other domestic chain supermarkets, comprehensively analyzes each link of fresh cold chain logistics operation in chain supermarket, and obtains the following conclusions. In the purchase of fresh agricultural products, the way of centralized purchase and strengthening the relationship management with suppliers can be adopted. This can not only reduce the cost of supermarket chains, and can improve the quality of goods purchased. In terms of fresh product logistics operation, we should take a global perspective and use modern information technology to manage the whole fresh product procurement process. Based on the operation standards of fresh food industry as a reference, and combining with the specific situation of chain supermarkets, the paper adjusts each link of the cold chain logistics operation of fresh products, so as to make the storage, processing, distribution and other aspects of fresh products more standardized and standardized, so as to reduce the loss of goods and ensure the safety of goods. In the aspect of information construction, set up the chain supermarket's own e-commerce website and build a complete information platform. In this way, the operation of fresh products in chain supermarkets can be controlled and managed comprehensively and in real time.

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YaxinYu. "Research on fresh product logistics of chain supermarkets ---YongHui supermarket as an example." *International Journal of Business and Management Invention (IJBMI)*, vol. 09(05), 2020, pp 50-55.