

Research on the Supply Chain Management of Fresh Agricultural Products in Shenyang Yonghui Supermarket

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Abstract: Fresh agricultural products have become the most important part of supermarkets. Since fresh agri-products are perishable and have a relatively short shelf life, there are always some key problems that need to be solved in the operation of fresh agricultural products in supermarkets, such as building an efficient fresh agricultural product supply chain management system, improving logistics efficiency and storage level, reducing the cost and loss of products, and ensuring the standardized quality and safety of fresh agri-products. This article takes Shenyang Yonghui Supermarket, which operates fresh agricultural products as an example. Firstly, by analyzing the structure, logistics and procurement of Yonghui's fresh food supply chain, and combined with SWOT analysis, it puts forward countermeasures and suggestions for the optimal design of Shenyang Yonghui's fresh food supply chain.

Keywords: fresh agricultural products, supply chain management, Shenyang Yonghui Supermarket

1. Introduction

Fresh agricultural products are the main commodities for people's daily consumption. With the improvement of life and consumption level, people have higher and higher requirements for the quality of fresh agricultural products and the shopping environment. The quality and sales services of fresh agricultural products can best reflect the operating characteristics of supermarkets. Also they are the key factors for major retail companies to implement the strategy of differentiation. At the same time, with the emergence of the concept of "new retail", the fresh food competition among major domestic supermarkets has entered a heating stage. Supply chain management has become the theme of current competition and plays an increasingly important role in enterprises. In the environment of fierce competition in the fresh food industry, Yonghui Supermarket, as an industry leader, has shown a performance that cannot be ignored. It relies on mature supply chain management of fresh agricultural products and unique fresh food business philosophy to establish fresh food barriers and becomes an outstanding leader in the whole industry. This paper makes an in-depth analysis of Shenyang Yonghui Supermarket, a representative retail enterprise that has achieved success in fresh food business, studies the current situation of its fresh agricultural product supply chain management and puts forward suggestions for improvement, aiming to provide a fixed theoretical basis and experience guidance for Chinese retail enterprises to build a supply chain of fresh agricultural products.

Based on the supply chain management theory and the agricultural supermarket docking theory, this paper combines the research methods of case analysis and qualitative analysis to analyze the current situation and characteristics of the fresh agricultural product supply chain management in Shenyang Yonghui Supermarket. In addition, the article also analyzes the existing relevant literature through literature review to provide a theoretical basis for the analysis of fresh agricultural product supply chain management.

2. Fresh Agricultural Products' Supply Chain

The supply chain is usually a process in which the central enterprise strictly control the procurement of raw materials, the manufacture of intermediate products, and sale of final products, and deliver products to consumers through the control of information flow, logistics and capital flow [1]. Usually, the supply chain takes the core enterprise as the central node and extends to both sides (supply sources and demand sources). In addition, these enterprises can improve the competitiveness of the entire supply chain and realize the growth of value by taking appropriate division of functions through contracts or readjusting the service flow, logistics, and capital flow [2].

Fresh agricultural products generally refer to fruits, vegetables, meat, and fresh aquatic products, which are mainly characterized by high water content, a short fresh-keeping period, and are highly perishable. The supply chain of fresh agricultural products is a special supply chain based on fresh agricultural products. It is a functional network chain structure mode that is oriented by consumer demand and uses fresh agricultural product as the material carrier [3].

Fresh agricultural products' supply chain take fresh agricultural product as the material carrier. However, Since the artificial controllability is poor, fresh agricultural products cannot be conducted by standardized process of production like the process which is conducted to some industrial products. Therefore, the quantity, quality, and shape of the output are uneven. This makes the production function very complex. As fresh agri-products have stricter storage requirements, based on its features of being perishability, short fresh-keeping period, only primary processing and high loss. In addition, the various types of fresh agricultural products have different transportation requirements. This lead to more complex logistics management and more uncontrollable product loss [4].

3. Shenyang Yonghui Surpermarket

3.1. The Basic Structure

The success of Shenyang Yonghui Supermarket in the fresh agricultural products business is based on its success in the supply chain management. Compared with the traditional fresh agricultural product supply chain, Yonghui simplifies the fundamental structure of the supply chain and reduces the intermediate links which cause huge waste of resources [5][6].

3.2. Logistics Management of Shenyang Yonghui

In the aspect of logistics management, Shenyang Yonghui Supermarket has developed a special logistics information system to guarantee the product distribution requirements of each store. Based on this system, the cross-regional product distribution scheduling is realized, The system also supports its nation-wide exchange of cargo information, thereby ensuring the normal operation and resource sharing of all stores across the country. Enterprise employees can use the information system of Yonghui Distribution Center to arrange the fresh agri-product distribution from order generation, purchase, storage, store ordering, to the enterprise logistics distribution center. Employees can also record the entire circulation process from the time when products are brought out of the warehouse

until the product enters different stores and check out and solve the problems in the whole logistics link, so as to finally realize the precise guidance for logistics [7].

3.3. Procurement Management of Shenyang Yonghui

Yonghui Supermarket's fresh food procurement process is divided into three parts: procurement, delivery and distribution; the wholesale operation process is divided into five steps: collection of purchasing lists - on-site purchase - accepting - collection of goods - settlement. The direct-sale and purchasing system is the source of the advantage of Shenyang Yonghui Supermarket's fresh food prices. It is also the key reason why Shenyang Yonghui can achieve high gross profit margins in the fresh food business module which is characterized with low gross profit margin. The mainstream procurement model in the retail industry is joint procurement. It means that the supermarket purchases from wholesalers and takes the turnover proportionally after deduction. In this case, the loss of fresh products is undertaken by the supplier. However, the direct-sale and purchasing model of Shenyang Yonghui skips many middlemen, purchases directly from farmers, buys out commodities and operates directly [8].

4. SWOT Analysis

4.1. Strengths

The effective operation of Shenyang Yonghui's fresh food supply chain system stems from the fact that Yonghui Supermarket, as a core enterprise in the supply chain, has very powerful major functions. The supermarket builds agricultural production bases in the areas where the stores are located across the country, signs a long-term cooperation agreement with local farmers or agricultural cooperatives, and ensures the quality and safety of agricultural products.

Moreover, Shenyang Yonghui Supermarket's control of upstream members of the supply chain is extremely critical. When signing contracts with prospective farmers or agricultural cooperatives, Shenyang Yonghui Supermarket will formulate meticulous contract rules and make strict provisions on breach of contract clauses to restrict the behavior of both parties and ensure the normal operation of the supply chain.

4.2. Weakness

Shenyang Yonghui Supermarket is currently immature in the construction of the value-added distribution system. The core business is strong but the overall is relatively weak and lacks flexibility. There also may be a risk of insufficient stamina of development for the fresh food supply chain. In addition, due to the extremely low gross profit of fresh agricultural products, the profit growth space will be further compressed as the company expanding continuously. Building a distribution system for value-added activities in the supply chain will be the main problem that Shenyang Yonghui Supermarket needs to solve at this stage.

The inventory control of Shenyang Yonghui Supermarket requires both supermarket managers and agricultural product suppliers to participate in management. This system results in a large amount of inventories that cannot be handled in time, which makes the entire supply chain lack of coordination and increase unnecessary costs of management and inventory.

4.3. Opportunities

The issue between agriculture, rural areas and farmers has always been a development problem that the country attaches great importance to. The development of agricultural economy is related to the lifeline of national economic development. The government has also continuously introduced a

number of agricultural development policies to vigorously support the agricultural product economy. Furthermore, the continuous expansion of market demand gives Shenyang Yonghui a good developmental prospect, which also promotes Yonghui to continuously improve supply chain management, tap deep-seated potential, and strengthen its overall strength. Through upgrading and stabilizing the original fresh supply chain barriers of the enterprise, Shenyang Yonghui increases the strength of developing downstream products, extending the brand system, and seizing new business opportunities. Shenyang Yonghui still has extremely broad developmental prospects.

4.4. Threats

The main audience of retail is showing a trend of becoming younger as a whole. At the same time, with the increasing of economic income and consumption power, they attach importance to consumption experience and personalized needs, and are more willing to make purchases through online stores. This is a kind of warning sign for Yonghui that traditional retail entities are bound to be strongly impacted by e-commerce companies. Moreover, the Chinese market is the one with the greatest potential for economic development in the world. In the future, there will be more and more foreign capitals which are willing to enter the market to seize the fresh food retailing market in Shenyang.

In addition to the threat of multinational corporations, Shenyang Yonghui will also face competitions from new domestic powers. The rapid development of domestic supermarkets and the gradual formation of the supply chain system will also challenge Yonghui's dominance of domestic fresh agri-products market.

5. Optimization Strategies

Shenyang Yonghui Supermarket needs to regulate local suppliers. Since Yonghui adopts a combination of national centralized procurement and regional direct procurement, the regional direct procurement is relatively unstable, which means that the standardized management of local suppliers is particularly important. In addition, as an object which has direct contact with consumers, Yonghui should effectively hold the first-hand information of the consumer market, strengthen the adjustment of farmers' production activities. At the same time, Shenyang Yonghui Supermarket needs to conduct a more systematic control over the supply sources and production process of fresh agricultural products. In this way, it can not only increase the interests of farmers, but also strengthen the safety of fresh agricultural products to a certain extent.

The construction of an information system is the key to solving the problem of mode optimization in the supply chain management process of Shenyang Yonghui Supermarket. Only when the efficient operation of the supply chain information system is guaranteed, can the information flow of each work process be further ensured, and the links between various departments can be effectively connected. Especially in the information system management of Yonghui Supermarket, the efficient operation of its information management system not only further optimizes the supermarket's statistics management, but also saves the costs of management to a certain degree [9][10].

6. Conclusion

The status and importance of fresh agricultural products in supermarket operations have also become more prominent. At this stage, the supply chain composed of many enterprises has become the main body of market competition, and the role of supply chain management in the competition between companies becomes more and more important. The success of Shenyang Yonghui Supermarket also verifies that effective supply chain management is the most significant weapon in current market competition. The competition between enterprises is actually the competition between supply chains.

Only when Shenyang Yonghui Supermarket fully understands the core concept of supply chain management, applies it to the developmental strategies of the enterprise, uses informationalized technology, integrates the optimal process of operation, establishes long-term and stable cooperative relations with its partners, and shares market opportunities and risks, can Shenyang Yonghui Supermarket remain its invincible status in the global market competition.

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