

DIVERSIFIED MANAGEMENT STRATEGIC CHOICES OF SALT INDUSTRY CIRCULATION

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INTRODUCTION

With the promulgation and implementation of the National Development and Reform Commission Decree No. 45 "Management of Food salt monopoly license", the controversy over the past few years on the food salt monopoly operator has come to an end, which give to the whole country's salt circulation enterprises an assurance that is: China's salt franchise will continue to implement the policy that in the next few years will not be any major changes. Such a positive message, of course, would make the whole country's salt industry exciting. However, we should remain calm clear head, and a divided view of this problem. We must fully understand that: This is an opportunity to make the salt industry continue to enjoy the advantages of policies to protect the franchise, and have a buffer period to seize the opportunity and stabilize development; but also a challenge, how far can we go if we only just to follow the beaten track, making progress along a single dependence on the old food salt monopoly.

This year is the sixth year of China's accession to the WTO, which also indicates that the transitional period of China's accession to the WTO basically ends, and a number of sensitive sectors should be

gradually abolished protection, allowing foreign funds. Although salt is a special industry, but with the order of the domestic market continued to be refined, in the gradual elimination of iodine deficiency disorders, as well as the rapid development of international trade and economic integration, how long can industry protection policy of food salt monopoly maintain and how much of its vitality of competition? In this regard, whether China's salt industry makes good preparations? This is a serious and an important issue, in particular, distribution companies should face together.

As the saying goes," natural selection, survival of the fittest. "In fact, the salt distribution companies in many aspects such as the sales network, capital strength, distribution and warehouse have unparalleled advantages. As long as we emancipate our minds, be vigilant in peace time, update concepts, innovative business, and give full play to the advantage of the unique circulation of the salt industry to carry out the right strategy choice, which not only rely on the franchise, but also out of the franchise, we will be able to tide in the market economy, and create a "one industry-based, multi-business" manner. Thinking decides outlet, and concept is wealth. This article, in view of the strategic choice of diversified management in the salt

industry circulation, will publish the following opinions.

THE IMPORTANCE OF IMPLEMENTING A WIDE RANGE OF BUSINESS STRATEGY IN THE SALT INDUSTRY CIRCULATION

(1) At present, the per capita food salt sales volume of the national salt industry circulation enterprises only has 100 tons, while the National Development and Reform Commission, "A number of views of promoting food salt circulation Modernization" formulates an overall item of body is: striving for a period of about three years to promote the combination and restructure of salt industry production and distribution enterprises, reduce the flow of costs, improve the circulation efficiency, so that the sales volume of per capita food salt can amount to above 300 tons. In order to achieve this goal, the most effective means is enterprises restructure and personnel losses divergences, as the salt market is basically a rigid market. However, 50-60% personnel losses divergences definitely will initiate industry disharmony, so obviously it's an unwise and undesirable choice. This necessarily requires us to explore better method and create diversified management pathways, in order to absorb massive extra personnel of salt distribution companies.

(2) The core of our country food salt monopolized policy is to implement national mandatory scheme for production and marketing plans and product prices. Looked from the market sales volume, there is basically no new growth points. In terms of economic output, the price is definitely for a few years, the way that price is increased moderately relied on packaging has put in place in recent years, moreover the country has also banned the excessive packaging of salt in future, so food salt monopoly cannot be able to rely on frequently increased price to achieve the economic growth of the industry. Operation costs of salt industry, such as man-power and transportation, will irresistible gradually rise every year, which salt

circulation enterprises cannot afford. Together with the enterprise investor is likely to raise profit targets year after year, which will lead to salt circulation in the near future gradually into a vicious cycle of dead-end. Therefore, salt circulation enterprises should make good preparations now and take the initiative to create a way to survive and the development point of growth.

(3) Food salt monopoly initiative's ultimate goal is to the country in 2010, basically eliminate iodine deficiency disorders in order to achieve a fundamental purpose that will benefit the health and improve the quality of all the people. Under the immature condition of our country's market economy order, food salt monopoly is a franchise product. With the deepening of reform and opening up, the market economic order improving continuously and the post-WTO transitional period basically finished, as well as Japan, Korea, Taiwan, etc. neighboring countries and local salt industry market's letting loose one after another, it is impossible for China's food salt monopoly policy to be a permanent barrier, but one kind of a gradual special permission business model. Therefore, salt industry circulation must have the crisis feeling and the sense of hardship, and cultivate another large-scale and good prospect diversified management market before the monopolizing policy canceled, so as to guarantee the salt industry circulation prosperous.

(4) In accordance with the requirements of National Development and Reform Commission, in three or even a short period of time, through the deepening of reform and structural adjustment, our country will build a modern network system of food salt circulation and realize centralized packaging, network marketing, allocation circulation, and chain operation, and information management. If national salt circulation want to achieve this "five" goals, it must pay a huge investment and cost. If such a large industry circulation modernization network system is only used to operate single low-cost salt goods, it would be enormous idle and the waste for salt industry

circulation modernization resource. Implementing a wide range of business strategies in salt industry circulation will resolve conflicts and improve the comprehensive utilization and the economic efficiency of entire profession resources.

(5) Today's salt industry is occupying a prosperous period of development and the best opportunity time that food salt market is basically stable and economic strength is relatively strong. But the present situation of food circulation industry is disheveled, chaotic, small, and lacking the overall competitive power, so it urgently need reorganization. At present, there is no doubt that the salt industry circulation is most powerful and advantageous in food circulation in terms of organization construction, the sales network, the fund capital and the warehousing allocation, it is hard for other food distributors to match with the overall strength of salt industry circulation. Currently, for the decline of the same industry wholesalers, many food manufacturers are seeking the new dealer, but the salt industry circulation enterprise is actually the most ideal dealer. As long as the salt industry circulation steps out bravely to the diversified management, it possibly becomes the best strategic partner that finds easily in food industry. Salt industry circulation should firmly grasp such a historic opportunity. Perhaps, it may a best outlet for salt industry circulation after cancelling monopolized protection policy in the future.

DIVERSIFIED MANAGEMENT PLAN CHOICES OF SALT INDUSTRY CIRCULATION

As seen above, the strategic choice of salt industry circulation "one industry primarily, diversified management" is imperative, otherwise, the industry development road will become more narrow. Under the present market economy environment, the related moderate diversified management should be the mainstream that the enterprises choose diversified management strategies, and the salt industry circulation should not be exceptional.

Because monopoly belongs to the planned economy management pattern that is difficult to adapt the market economy for a while in the management idea and the way, so choosing related moderate diversified management strategies will comparatively conform to present situation and the status quo of the salt industry circulation. At present, the salt industry circulation is only a dealer of food salt monopoly. It is not difficult to see that food distribution industry such as condiments is related with it. Actually, in the past's planned economy age, the food salt itself was an important part of non-staple food product, but at present, the food salt circulation will re-enter non-staple food product industry and become the leader that is an obviously wise action to comply with the market economy rule, innovate in management, and make greatly and strongly. In order to be more convincing, we will take the commodity as the examples to analysis, compare and choose one by one to diversified management plans of salt industry circulation.

Plan one: to distribute seasoning such as soy sauce, vinegar and monosodium glutamate

Food salt and the soy sauce, the food vinegar, the monosodium glutamate are seasonings, and their consumer community is basically same. Just as so-called "the daily necessities" saying that illustrates the status of seasonings in people's life. At present, in our country food industry of more than 400 billion Yuan, the seasoning at least has occupied more than 40 billion Yuan shares. Obviously, the seasoning is one kind type "the small product, big market". Our country is the biggest production and marketing nation of soy sauce in the world, with the consumer markets of about 5,000,000 ton every year and industry output of nearly 20 billion Yuan. The soy sauce is one kind of evergreen commodity, and every year also by 10% above speed increases. Compared with the food salt, the economic output and the development opportunity of the soy sauce are bigger. With the gradual maturity and perfection of our country's market economy, the soy sauce market is bound to further aggravate, but this

competition will ultimately be attributed to brand competition. Our country's soy sauce brand mainly has Guangdong's Haitian, Zhimeizhai, Shanghai's AMOY, KNOIL, foreign enterprises' KIKKOMAN, LEE KUM KEE, JIAJIA and so on. Our country is also the biggest food vinegar production and marketing nation in the world, with approximately more than 2.5 million ton of consumer market every year, and the industry output value of more than 10 billion Yuan. Now our country has four famous brands of vinegar: Chinkiang vinegar, Shanxi vinegar, Baoning vinegar, Fujian red yeast rice vinegar, in which Chinkiang vinegar is the best. With people's living standards rising increasingly, the monosodium glutamate and the chicken fine market also skyrocket with over 1 million tons of the whole country's monosodium glutamate consumer market and more than 300 thousand tons of the chicken powder every year, and the potential development prospect is very broad. Obviously, the seasoning is an extremely attractive big market. As long as the salt industry circulation grasps the opportunity, innovates in idea and gives full play to advantages, it certainly can grow strong, and become the giant of the seasoning dealer.

Plan two: to distribute cooking oil, sugar and liquor

The cooking oil and sugar are the essential items in people's life. And the cooking oil holds a big part of food. And our country has more than 1.3 billion people, at present, according to the data that per capita consumption level in town is 7.5 kilograms and in the countryside 6.5 kilograms, the total consumption quantity of national cooking oil approximately is more than 140 million tons at present. With people's living standards rising, oil consumption growth is an inevitable trend and the market increment space is larger. The cooking oil consumption develops with high-quality, excellent brand and small packaging, and the total quantity of market economy has been 100 billion Yuan. The major brands such as Jinlongyu, Fortune, and Luhua occupy important part of cooking oil market.

China is the world's third largest sugar-producing country, at the same time it is the world's second largest sugar consumption country. At present, the total annual consumption of sugar market is about 11 million tons, of which, industrial consumption accounted for 69%, 31% of civil consumption. Per capita consumption level of sugar in our country is lower than that is less than one-third of world's consumption level. With people's living standards rising, China's sugar consumption has huge market potential.

Liquor as traditional Chinese consumer goods, its expense is only inferior to the tobacco and it is paid much attention in the consumption goods field all the time. In 2005, the national liquor production output was 3.49 million tons, and the market demand was basically stable and profitable. The highest in the top five companies (Moutai, Wuliangye, Jiannanchun, Luzhou, Fen) on annual sales revenue was more than 26 billion Yuan. Facing with the trend in the development of high-end liquor, more and more high-end liquor brands and manufacturers start to attach importance to their own marketing mode. Gold Leaf Nectar explored by Wuliangye and Chinese tobacco company is based on huge allocation network of Chinese tobacco company as the market foundation that not only has the network but also has the terminal. And the network and terminal of food salt monopoly has a broader scale.

Regardless of being the cooking oil, sugar or liquor, our country's consumer market is huge, moreover assumes with upward trend.

Food salt as people's household necessity and in this big open market in china, why not salt circulation set foot in operation? These markets are all pregnant with salt industry circulation space for the survival and development of future and hope. If the salt industry circulation enters the diversified management fields, the cooking oil, sugar and liquor market should be the first choice.

Plan three: to distribute drink, dairy product and beer

The drink, the dairy product and the beer industry are swift growth sub-industry of food

industry. With people's consumption level and the health consciousness rising, the market of these industries will still develop fast in the future. According to the Chinese light industry message center statistical data indicated that in 2005 the output of national soft drinks has reached as high as 33.8 million tons, that grows 24% compared to the same period. The sugar drink is 19.94 million tons, the canned water is 13.86 million tons, and the total sales revenue amounts to 114 billion Yuan. In 2007, the soft drinks industry is still prosperous in both production and marketing and the tendency is strong, therefore the soft drinks will still one of important industry of The 11th Five-Year Plan.

In 2005, the output of our country dairy products was more than 12 million tons, and the total sales revenue reached more than 88 billion Yuan. The milk class ultimate output amounts to more than 32 million tons. At present, the output of our country per capita product consumption in the whole year was only 24.89 kilograms. Looking from the consumption pattern, per capita product consumption in the whole year is only 17.93 kilograms that is lower than the developed country consumption level, which can explained sufficiently the dairy product industry also has the giant potential market.

In 2005, the output of our country beer has reached as high as 30.6 million tons, the total sales revenue was 72.3 billion Yuan that grows 17% compared to the same period. Our country has become the world first beer nation. But our country per capita beer consumption still places the low level, per capita consumption already close to 22 liters. In rural area with 800 million populations, the per capita consumption of beer was actually less than 5 liters, but the world average level was 30 liters, and the developed countries such as European and American has amounted to 80 liters. There is so big disparity, which can show our country beer market has sufficient potential.

Our country food is a dazzling super big market, and many plans also show that. Food market's marketing channel also mostly is proprietary, which is not subordinated to the producer, but belongs to the dealers. Facing such a giant attractive market, the salt industry circulation when reforms resources, expands the investment, constructs the sale network,

the circulation allocation, the management chain-like and the management information of the circulation modernization network system why not stand in the industry development strategic altitude, and make the salt industry circulation modernization network system establish in the entire food economic cycle big market? The initial stage when the salt industry circulation is entering this market should adopt the management strategy with proceeding in an orderly way, developing steadily, building up credit standing and walk the scale, the brand, the characteristic management pathway.

The external environment of monopolizes is not the vacuum, and the salt industry circulation is impossible forever to become a forgetting corner of market economy. No crisis feeling is the biggest crisis of industry. The salt industry circulation under the protection of monopolized policy also has buffer periods of several years, so we should seize this opportunity firmly to pay much attention to monopolization and the diversified management and strengthen industry in order that we can be able to become the strong competitor in trade internationalization and the economic integration in the future. Only the strong can perpetuate and be in an impregnable position, which is the correct strategic choice of the salt industry circulation in the future.

THE FEASIBILITY ANALYSIS OF THE SALT INDUSTRY CIRCULATION IMPLEMENTATION DIVERSIFIED MANAGEMENT

From the salt industry circulation implementation diversified management strategy's necessity, we may see that under the existing market economy environmental condition, the salt industry circulation implementing the diversified management strategies in the future is imperative. Taking the diversified management strategy choice's basic principle as the starting point, the salt industry circulation should choose the related moderate diversified management strategy, but the salt industry itself is sub-industry in the food industry, therefore food circulation should become the mainstream choice of the salt industry circulation diversified management strategies. The big food market

with more than 100 million national good and over 400 billion economy for the salt industry circulation is full of seductive opportunity and the challenge. In a province with medium population, if salt industry circulation can hold of this market, goods quantity can amount to 800 thousand and sale income more than 3 billion. For today salt industry circulation, this is also an extremely grand goal. Implementing diversified management strategies in the salt industry circulation has only established a preliminary theoretical model, but how feasible these plans are? Whether we can successful? Regarding this, we may carry on the following analysis.

(1) Compared with the dealer of existing food circulation at present, the salt industry circulation with more perfect sales network and balanced terminal has big superiority. Because the need of the food salt monopoly, every salt industry circulation enterprise in the all provinces of our country are nearly managing orderly that take the provincial level company as the center, and is vertical to the city, county at all levels of companies, which have already formed a circulation group with good function and covered the national regions. Especially in recent years, the food salt allocation has developed rapidly, and distribution network has extended the market terminal. Such a scale superiority and second-level channel mechanism that has constructed in the flattening market, I am afraid that any one of the existing dealers cannot be able to catch up with it. Not only that if the conditions are mature, the national salt industry circulation enterprise for an overall goal and the benefit definitely may join up to form a distribution network that can cover the whole country food market. Any food producer when he realizes and discovers it is a most potential strategic partner, he will not give up the opportunity to cooperate with it.

(2) Most the national salt industry circulation enterprises were separated from the trade in the early 1980s. They are protected by the food salt monopolized policy for a long time, so overall speaking, although the industry is small, the economic efficiency is good. They have certain original capital accumulation and the integrated strengths of fund and property are strong, which surpassed other food dealers obviously. Degrees of

comparison of the bank loan are generally high, and the commercial standing is good at all times. These basic conditions are not only paid much attention by the producer, simultaneously has also laid the foundation for the salt industry circulation to implement diversified management strategies and also provide the advantageous condition for production and marketing both sides to carry on a deeper level the strategic cooperation after entering food circulation.

(3) The food salt as a particular kind of commodity has the great tonnage long-distance range transportation and the market consumption that cannot be substituted, and it also has the management characteristic of certain warehousing ability, so all levels companies of salt industry circulation have good warehousing condition, superior geographical position mostly approaching the station and the wharf. In addition, with the food salt circulation modernization, management informationization and more and more perfect food salt allocation, in the future food and the food salt may integrate business to allocate together. In this way, we not only may greatly reduce the operation cost, raise the synthesis efficiency and the service level, but may also improve the management idea and the pattern unceasingly of food salt monopoly to realize "the soft landing" of food salt monopoly from the planned economy to the market economy in the future.

(4) The country promotes the food salt circulation modernization, and one of its important goals is to raise the labor productivity, but the present situation of the national salt industry circulation enterprises is mostly fully occupied and has more hands than needed. Because the benefit is generally good, in addition the need of constructing harmonious society, the downsizing for efficiency often has little effect, and the food salt circulation enterprises cannot withstand the labor cost that is a fact. If implements the diversified management strategies, the salt industry circulation will turn the shortcoming into an advantage, and fully use available manpower resources so that the labor cost which grew day by day have one exceedingly good way to tap new resources and reduce expenses. That is a really true way to realize double abundant harvest of enterprises and social efficiency.

(5) The rules of market economy and China's accession to the WTO decide that food salt monopoly is only a gradual special policy. However, food salt monopoly and diversified managements are not a pair of contradiction because diversified management's competitive systems can constantly urge the salt industry circulation to improve service quality and competitiveness and digest and reduce costs, thereby improving the image and raise enterprises' benefit; In turn, for the salt industry circulation, the food salt monopoly can implement diversified management strategies and provide comprehensive distribution network and strong economic base, both are the relations that complement, promote each other. If the government cancel the food salt monopolized policy, so long as the salt industry circulation enterprises has a stable base in the food circulation market, it is impossible for any company to shake the food salt market which the salt industry circulation hold.

In brief, implementing diversified management strategies in the salt industry circulation is the inevitable trend that the salt industry development complies with the market economy rule. In recent years, because the call of liberalizing the small industry salt grows day after day and the food salt monopoly policy has been questioned, the salt industry has been aware of the potential crisis. So wise people have begun to plan and practice diversified management strategies, but most of them are the industrial investment of the salt production and the salinization development, a large number of salt industry circulation companies have not discovered and set foot in this "the new continent" food circulation. The salt industry circulation has the obvious superiority in sales network, warehousing allocation, fund strength, human resources and management informationization, so long as we emancipate the mind, hold the opportunity and exploit food distribution field, we can certainly obtain the strategic breakthroughs of diversified management. What the salt industry circulation lacks now is that the ideological concept, the management mechanism and the management system are quite backward, the staff structure relative bad and the quality is low, and the overall competitive power is bad, these industry's inherent problems need us to ponder calmly,

reform boldly, make good preparation and take the corresponding measures.

In people's vision, the current salt industry circulation under the banner of the franchise is flourishing, but as long as you examine in advance and carefully, it is not difficult to find that under the prosperity and joy the crisis is near. If the current salt industry circulation under the protection of the franchise policy is still a peaceful island floating in the sea of market economy, and the people on the island leave a peaceful, thriftily and happy life, there is no sense of crisis, but one day the island will disappear for hurricane attracting and resource exhausted. This is not an exaggerating admonitory warning, but a cruel reality that the salt industry circulation will face together in the future. While standing on a high degree of development strategies to look at, the action of national promoting salt industry circulation modernization, regarding now China's salt industry theory, is also a historic turning point. Its true goal and significance, is not only fundamentally to solve some malpractices under the monopolized policy, but the more importance is to provide a platform for this small industry of future circulation modernization so that this big market of food circulation have opportunity and ability to advance to the circulation modernization. Opportunity is the fulcrum, whether this small industry of the salt industry circulation can be able to pry big market of food circulation or not? This is a heaven-sent opportunity and huge challenge, if the salt industry circulation chooses food circulation, main strategies of diversified managements, the victory will not be far away.

The next five to ten years will be the crucial period that salt industry circulation decides fate. The salt industry circulation will continue to siege under the salt monopolize to wait to see, sit idle and enjoy the fruits, or will choose the related moderate diversified management strategies, jump out monopolized island, leap forward sea of the market, and go forward courageously to explore and seize this "the new continent" of food circulation, which will be a great revolution of the salt industry circulation management idea and management model, and also will be a decisive battle that the salt industry can break through comprehensively from the planned economy

to the market economy. In the flames of war, the salt industry circulation under monopolized policy would rather vanish quietly than create the market in phoenix nirvana ashes rebirth.

Facing with the life and death strategy's choice and the test, the salt industry circulation must have clinging spirit of taking

the bull by horns, pursuing continually and promoting selfhood to pass through the difficult situation of market economy, land the victory shore of diversified management, and become Chinese future food circulation "giant", which is a common and sacred historical mission of the national salt industry circulation in the new period.