

STRATEGIC THINK OF CONSTRUCTION OF MODERN LOGISTIC SYSTEM FOR CHINESE SALT INDUSTRY

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Abstract: Chinese salt industry distribution is facing several challenges, and it is important to construction of modern logistic system. The paper listed the foundation of logistics and the modern logistic system, and problems including outdated logistics infrastructure, shortage of logistics professionals, extensively management, disunity of the sales network, low degree of information technology, and single product & multitudinous trademarks existing in the system. Advantages and the way to construct the modern logistic system of Chinese salt industry were also discussed.

Key words: Chinese salt industry, Modern logistic system

INTRODUCTION

Chinese salt industry distribution is facing several challenges. The first is the industry system reformation presently. The reformation plan of the salt industry system is brought into the economic system reform agenda of the State Department in 2005. National ministries and commissions including the National Development and Reform Commission (NDRC) is studying on the salt system reform plan and is putting the question to Chinese People's Congress. The 11th China five-year program put forward the reform of monopoly sectors, including salt industry. The salt system became one of the

key work of the National Audit Office's audit. It should be imperative under the situation that salt industry is in the most important moment. The second is the modernization of salt industry circulation. Just as NDRC said, the present salt wholesale system is not fit the new requirements of the socialist market economy because of the low-class systemization of the circulating progress, too many links, and small and separated. The colleagues of salt system, especially the companies of salt distribution have the intense sense of urgency and pressure at every moment. No reformation, and no way out! Where are they going? The construction of modern logistic system for salt industry will give us an answer.

Modern logistics and Chinese salt industry

Foundation of logistics and the modern logistic system.

Conception of logistics and the modern logistics.

In 1927, R.Borsodid used the word logistic in his book "delivery times" at first. In 1935, American Marketing Association defined it as PD (physical distribution). Japanese translated PD as Material Distribution. In April of 2001, the national standard of "Logistics Nomenclature" was promulgated. It states the precise meaning of Logistics as "The substantial circulating process that distributes goods from suppliers to accepters. Integrating transportation, storing, loading and unloading, handling, packaging, distribution processing, distribution, information process as an organic whole." The Modern Logistic System (LS) is the outcome of the development of economy, society and technology. LS is the multiple-system mainly consists of and coordinating with the several sub-systems like transportation, storage, distribution, packaging, warehousing and manufacturing processes. The core thought is to give prominence to system consolidation and optimization aiming at helping cut costs, enhancing the group working efficiency, optimizing service.

Function of modern logistics

Modern logistics industry is becoming the third profit source of enterprises. According to the request of the Third Plenum of the 16th Central Committee of Chinese Communist Party and the Decision on Issues Regarding on the Improvement of the Socialist Market Economy, taking the scientific outlook on development as our guide to action, putting the marketing as the guidance, supported by information technology, construct a policy circumstance of modern logistics development, building a well-off society in an all-round way through setting up a consummate, efficient modern logistics service system. Taking great efforts to develop specialized, socialized company, enhancing logistic serving quality and efficiency, cutting down social logistic costs, and realizing industry upgrading. Our logistic industry developed rapidly in recent years. In 2004, the total amounts of national

social logistics came to 38.4 trillion, and were up 29.9% year-on-year, which doubled the data of 2001, and it was the fastest of increase since 1994. In the first half of 2005, the turnover came to 22.5 trillion, and was 25.4% year-on-year. In 2004, the increased value created by the domestic logistic enterprises came to 845.9 billion, and was up 8.4% year-on-year. The proportion in GDP was 6%, and the increase is faster than the other industry within the whole service industry. The same data in the first half of 2005 is 439.6 billion and was up 12.2% year-on-year. In 2006, the total amounts of national social logistics increased by 24%, and the increased value of logistics increased by 12.5%, and both of which were much higher than the increase rate of GDP, 10.7%. China's logistics has entered a new development era. With economic globalization and the rapid development of information technology, logistics as a key industry in the national economy is playing an increasingly important role.

Definition of the salt logistics

Salt logistics is a supply chain which consists of manufacturing, transportation, storage, distribution, packaging, warehousing and processes of salt products. For a long time, the mainly salt manufacture and trade country, for instance, Australia has attached importance to salt logistics. Both the research of salt logistics theory and practical uses developed very fast and it enhanced the level of the logistic technology. The improvement on the condition of warehouse kept down the logistic costs of salt products, and improved the efficiency of the salt circulation.

The significance of the construction of logistic system within the Chinese salt industry

The construction of logistic system is the leading power to adjust the whole salt industry, the main artery for salt products reproduction process, the carrier to rendezvous, organization, and disassemble the manufacture factors of this industry

The construction of modern logistic system for salt industry will not only expand the scale of both produce enterprises and the sellers, but also promote the development of the both, and improve the circulating quality of salt industry. For a long time, production has played the more important role than that of

circulation. The development of the salt logistics system cannot fulfill the developmental requirement of production. With the rapid development of the modern salt industry logistics, salt enterprises will integrate different parts of salt logistics as a whole, and distribution will help reduce production business inventories and accelerate capital turnover, enhance logistics efficiency and reduce logistics costs, and stimulate the social needs and is conducive to the whole industry's macro-control and promote the healthy operation of the salt industry to develop in depth. Compared with tobacco enterprises which set up an available network, our target will turn to the circulating field as well, construct the core competence through the innovation of circulation to adapt the policy change in the future, to get more shares within the future distribution field.

Construction of logistic system is the important action to adapt to the policy changes and long-term development

Under the current salt distribution system, salt uniform management and avoiding Iodine Deficiency Disorders (IDD) project have great achievements. Consumption rate of qualified iodized salt was 54.2% in 1995, which was raised to 96.9% in 2004, and the coverage rate of qualified iodized salt at household raised from 39.9% to 96.45% at the same time. The total goiter rate dropped from 20.4% in 1994 to 5.8% in 2002. Civil iodine nutrition level was improved, and children brain level increased 12 intelligence quotient points.

But just as the framework of the edible salt circulating modernization constituted by NDRC, several programs must be settled within the field of edible salt circulating modernization, and embodied as follows. Systemization level of circulation systems is low, and there are too many links, higher costs, and lower efficiency. Some edible salt management enterprises management extensively and the technology level is low. Salt circulation is not standard and circulating system is inconsequential, and so on. And therefore reform is needed to fulfill the requirement of industry development and system reform. Perfect salt circulation system must be set up to integrate each component efficiently and uniformly. To advance the reform of salt circulating mode, optimize

supply chain management, standardize market order, break the overlapping management and the deep-rooted traditional management patterns, enhance the efficiency and profit across-the-board, and improve the supply level of salt. In recent years, high profit covered up some problems including higher costs, lower efficiency, and extensive management. These shortcomings damaged both national interest and service quality for the public seriously. The development prospects of salt logistics management are very broad and have tremendous potential and growth space for development. However, without perfect logistics system, in case system change starts and foreign or private capital comes in, salt industry would just like a tiger without teeth. We must set up a perfect salt logistic system to control salt market, acquire long-term profit and achieve economic monopoly. With Chinese sustained economic development, the market economy is gradually mature, the global economic structural adjustment and the industry has been escalating. This will make Chinese salt industry, the status of the logistics industry and the role undergo profound changes, and logistics industry must be the promotion of Chinese salt industry to flourish the major carriers.

Constructing a perfect salt logistic system is a fundamental countermeasure to standardize management and maintain salt monopolization

With the development of salt sale network, market order became more and more standard and profit increased day by day. However, deregulation such as dumping acts, impact market illegally happened now and again. Practice proved that boosting modern logistic method such as logistics and chain management is propitious to reduce fake and forged products entered the market from the headstream and to clear the environment of salt circulation. Therefore, constructing a perfect salt logistic system is a fundamental countermeasure to standardize management and maintain salt monopolization. From the reform of guizhou salt industry, salt sale terminal network of south-east of guizhou effected obviously. At present, the rate of new IDD is zero. "South-east of guizhou mode" can strengthen salt circulation management under salt monopoly policy, prevent unqualified salt entering the market and

eliminate IDD. This mode is just the availability exploration for the construction of modern salt logistic system.

Problems existing in the construction of Chinese salt modern logistic system

Outdated logistics infrastructure

Recently, salt output and demand boost so fast and it comes to approximately 60 million ton per year. Consequently, outdated logistics infrastructure cannot meet the requirements of salt industry development. The manufacture logistics mostly relies on the railway, logistics systems technology is generally low, and equipment is behind. 90% of the logistics warehouses are ordinary cottage warehouse, and a large number of which were set up in 1950's or 1960's, and some are abandoned. Manual handling car, tricycle and general lifting equipment account for more than 90% of the removal tool, and modern tools has rarely been used. Construction lacks the necessary coordination, thus compatibility and coordination are poor, which lead to the system function is not strong. As a whole, the high costs and poor efficiency of salt logistics industry, and the low degree of specialization cannot adapt the requirements of modern logistics development.

Shortage of logistics professionals

Salt logistics also needs professional persons. With the development of new technology and equipment, not only managers but also operators need special training to accept the new manage concept and new technology. Salt logistics personnel system is a key logistics enterprises growth protection for the development of the logistics industry. Logistics management and personnel training of salt circulation field are also considerable lag and not suitable to the status of Chinese logistics theory and modern logistics management systems, and logistics personnel training is more difficult. We must quicken our pace of training for professionals.

Extensively management

Domestic salt industry follows the traditional management mode and operated mainly by manpower. Shortage of efficiency and logistics professionals, outdated circulation mode, trivial operations, weaness

in management, and distempered system are out of the date. Only a few companies set up a primary logistic information system and manage support system. Extensive management will lead to high costs and low efficiency.

Disunity of the sales network

Because there lack monopoly ability, we haven't formed a countrywide standard uniform market. Regional blockade, serious infighting, administration division cause limitation among salt enterprises, and each of which does things in his own way. And it is the key barrier to prevent the whole industry from advancing. In fact, each county has a salt company and there are 2500 all over the country. Each company set up his private sales network, and cannot share benefit and information of the network. To set up two or three big enterprises united with production and marketing, and to form a uniform sales network and logistic system are our urgent affairs.

Low degree of information technology

Salt companies of different regions are different in managing mode, institutions setting, operation flow and managing measures. The network of finance, computer and operation only starts from scratch, and cannot adapt to the requirement of modern logistics. Information is the key to the success of a supply chain, and modern logistic information system is a totally supply chain system including intelligent and advanced planning and scheduling system, supervising management system, inquiry application system, consumer relation management (CRM) and consumer information feedback system. The network infrastructure of Chinese salt industry is relatively weak, especially e-commerce platform for the delivery and billing infrastructure lags behind. The ratio of overall of enterprise network is less than Internet companies, such as UPS FEDEX, THT and DHL ect. Information construction of salt logistics enterprise lags behind, and the specialization, social, electronic, modern level of logistics and distribution are low.

Single product & multitudinous trademarks

Most salt companies are self-governed and each has his own trademark. The lack of famous trademarks caused the lack of competition in the world. Just like Chinese salt

industry realized that we need a famous trademark. Though our product is very special from the old, it is a pity that we don't have a great brand and it doesn't suit the status of salt industry. We need to found our own leading brand and national brand to rejuvenate our industry.

Advantage of construction of Chinese modern salt industry logistic system

Policy advantage

Our country achieved the goal of basically eliminating IDD and supplying qualified iodized salt since we actualized salt monopolization in 1994. Salt monopolization belongs to national monopolization and popularization of iodine salt supply is a government behavior. As the exclusive supplier, we have predominant advantages within the area of policy, resource, finance support, consumer resource and staffs. We exclude the other competitors, which provide a valuable development opportunity for our logistics enterprises.

Specialization advantage

Salt companies works in this area for a long time. Basically, salt wholesale is a kind of distribution service just like logistics. China national salt industry corporation and the other salt companies have formed a whole producing and wholesaling system of edible salt to guarantee that the processing and supply of qualified iodized salt to be realized practically. In February of 2005, panic buying happened all over the country. As a specialized team, we gave full play to the professional advantage to appease the scare in a short term. fund advantage

The level of profit and tax within China salt system increased much more compared to the beginning time of the reform and open policy. By June of 2005, the total asset of China national salt industry corporation is 10 billion, the production capacity of various salt products is 10-million-ton and the table salt wholesale capacity is 1.4-million-ton, ranking first in Asia, along with a more than 500,000 ton production capacity for various salt chemical products, ranking top of the world in terms of metallic sodium production capacity. With years of high-speed development, most salt companies implement collectivize

management. However, the existing logistic companies are not yet mature and efficiency is not high. Financial deficit is big, and they cannot get loans from banks.

Network advantage

The network of China salt industry is more preponderant comparing to that of the other logistic companies. Firstly, we have mature sales network and bridle-wise professional employees that will play the major role within E-business under logistics and distribution. Secondly, we have enormous consumer information resources to support the whole logistic system. What's more, salt industry enterprises have formed huge immateriality asset, and the project of supplying qualified iodized salt brought our industry success and reputations. The other traditional logistic companies cannot acquire these in a short term.

The way to construct the modern logistic system of Chinese salt industry

Establishment of single market and Chinese salt industry group

Development of big enterprise group integrated of producing and selling

Just as the report of China national salt industry corporation, the aim is to build itself into the world's first-class salt and salt chemical enterprise with 3 to 5 years in the new century through integrating the industry resources, accelerating capital operation and expansion, and deepening reforms. Taking capital as bond, to quicken the development of big Chinese salt enterprises and enterprise groups, implement brand stratagem, optimize resources configurations for salt industry and improve the industry's business planning efficiency and international/home market competitiveness. Through boosting economic efficiency as its core and controlling interest effectively, to realize the core competences promoting continuously.

Establishment single market all over the country

We may take the experience of tobacco logistics as reference to establish a single domestic market on the foundation of salt law. Taking high-speed development as its focus, taking boosting economic efficiency as its core, taking market demands as its orientation, integrating the producing and selling, to set up

a unified enterprise group and a single big market without barriers through merger, reorganization, allocation, association and acquisition.

Many salt enterprises are prominent through integration of production, supply and marketing, manpower, finances and material within their own provinces, and forming unique sales networks spread all over the country. Existing sales network is composed of millions of retail terminals which can be found in 31 provinces of China. It is the foundation of the single market. However, it is the silent source of china salt industry. How to make good use of the network becomes the key factor to make a great breakthrough of Chinese salt industry development.

With the sales network spread all over the province region, Guangdong salt industry has done much beneficial exploration and established the "three-step" development strategy, aiming to entering the general merchandise industry. The first step is to set up 10 thousand high quality retail terminals in the pearl delta region on the basis of Guangdong salt industry network in the year of 2005 to 2006. The second step is to enlarge the coverage of the sales network, while setting up a logistic center and a financing center in the year of 2006 to 2008. The third step is to build 100 thousand retail terminals which could be found everywhere. According to the layout, the network named Suodian will set up its own retail store-guang salt monopolization supermarket in the year of 2009 to 2010. If we set up a single network, Chinese salt industry would present the maximal vital force and vigor.

Standardization of distribution

Transferring the traditional distribution mode of salt to modern supply chain management

Modern salt logistics should adopt supply chain management mode. First of all, setting up the distribution center through developing view, quickening the construction of the national and district distribution center; reforming the traditional salt packaging method, and realizing centralized packaging within the producing area and uniform distribution to cut costs and guarantee the quality of salt.

To accelerate the construction of national distribution center, and to take charge of the

distribution among different provinces was emphasized in term of "The suggestions to enhance the modern table salt distribution". Taking the distribution as a stage, we can build a market-oriental supply system integrated manufacturers, suppliers and sellers to enhance the efficiency of salt logistics and set up a steady sales network between producing and selling. Based on the above, facing the requirement of the market, we can divide the work to manufacturers, distribution center and retailers, and cooperate with each other in the breeds, quantity, supply time and supply method to form a new style logistic system. According to the principle of "specialization, flat, and regional", the work should focus on optimization of distribution and sales, make the best use of high level of science and technology, and set up a new logistic system to specialize the distribution from suppliers to buyers.

Focusing on the construction of the retail network which is our work's start and ending

That's to say, from the point of start, our sales net links with retailers. As an ending point, all of our works are also encircle the important issues of consumer service. As state-owned enterprises, we should take a vision for the future. Maintaining table salt monopolization as our mission, promoting changes of market management from administration to economic measures gradually, advancing thought to grasp opportunity, enhancing our understanding of market management with economic measures, and strengthening consumer relation management and market control. We should change the bureaucratic merchant workstyle, improve the service quality, and improves own quality and the competition strength practically to form an ally between wholesale and retail.

Raising the understanding of internal management and strengthen it seriously

Practice has proved that internal standardization is the foundation to develop our industry steadily and internal control is the base of market control. Or it will hurt our salt monopolization system seriously which has been proved by huanghua affair in hebei province and linxia issue.

Information network and E-commerce

The difference between modern and

traditional logistics is netation and informationization. The use of a modern information system is the key factor which decides whether a modern logistic company succeeds or not. Without it, logistics cannot really be practiced. All parts of logistics rely on logistics information system for planning and organizing production and all of the management processes are involved. Whereas the development of information technology within our industry cannot adapt to the requirement of modern logistics, we should increase input in developing information technology to form a professional commerce internet trading flat from counter sale to E-commerce, and a "click & mortar" mode. We should grasp the historic opportunity of economic globalization and informationization, make good use of modern information technology, enhance the information technology level of logistics, reproduce the business process, explore on the implementation model of integrated management system, construct information flat of logistics, and build e-commerce certification system of contribution management and online payment, to realize information resources share, improve working efficiency, integrate information resource, and walk the road of information and logistics development together.

Talented person construction to raise quality of employees

The biggest matter of constructing salt logistics system is the lack of talented managers, especially logistics talented managers. Talented person construction becomes the core of the salt logistics construction. We should introduce and train

not only competent personals on management but also blue-collars that have strong practical skills.

Firstly, we should attach attention to improve employees' quality of working in the distribution center as they are the bridge between companies and consumers, and their quality is vital to the development of our industry. Secondly, we should make great efforts to create an open, fair and equitable environment and enhance the marketable level of manpower resource. Thirdly, to measure the relationship between companies and employees with satisfaction scale, loyalty scale, contribution degree and dependence degree. And it will mobilize the human's go-aheadism, enthusiasm and creativity to strengthen enterprises' cohesion and to realize the mutual development of the organization and individual. Fourth, we should build learning and knowledge organization and a staff team with enterprising spirits based on specialized training.

Therefore, with the time going by, we should strengthen professional team building. We need staffs who are expert in modern circulation rules, logistics, modern logistic technologies and management. With the development of science and technology, and the intensification of market competition, enterprise's survival and development depend on high quality staffs more and more. Bringing up a staff of employees with full qualification becomes the urgent affairs of the construction of modern logistic system for salt industry.