

THINKING OF STRATEGIC CONVERSION ROAD OF CHINESE SALT WHOLESALE ENTERPRISES

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Abstract: The paper analyzed the current situation of salt wholesale enterprises in China, and gave some strategic solution.

Key words: Salt wholesale enterprises, Monopolizing policy, Conversion

The main body of salt monopolizing management is wholesale enterprises of salt in China. Over the past decade, the salt wholesale enterprise did a lot work on implementation of the salt management policies, popularization of iodized salt supply and taking the social responsibility. They also got rapid progress. With the further development of the market economy with Chinese characteristics, the salt monopolization policy should change with the economic situation. Such a change is still unclear; the salt wholesale enterprises must get out the original mode and strive to achieve the transformation. Therefore a new path of sustainable development can be found.

ENVIRONMENTAL CHANGE SHOULD BE CONCERNED BY THE CURRENT SALT WHOLESALE ENTERPRISES

Salt wholesale enterprises can not be isolated from the whole economic environment. The strategic adjustment of the salt wholesale enterprises must get out of salt industry. These enterprises must pay close attention to the environment changes and find the

opportunities of innovation, breakthrough and development.

Changes of macroeconomic policy

At present, the salt wholesale enterprises need pay attention to two kinds of policy changes:

1.1.1 General adoption of the market principle of salt monopolization policies. As China's market economy continues to improve and the further deepening of economic reform, the economic system reform puts the key on breaking the monopolization. It indicated clearly to "speed up the reform of salt industry" in Premier Wen Jiabao's government report. The new governmental reform will change the salt management system. The salt management is managed by Ministry of Information Industry. Part of local salt management will be adjusted following the reform of central. The salt bureau will be canceled. The state government began to cut some discuss official departments with the state government agencies reforms. And also, the industry associations will be further regulated. It can be seen that the salt industry management system will be re-adjusted. The

salt monopolization policy is subjected to change. The direction of reform will be market-oriented, weakening the government power.

1.1.2 The clear policy direction of logistics industry policy. The domestic market and international markets speed up the integration after joining WTO. The relevant departments of the State Council launched a "the thousand villages and thousand counties" project, community commercial "double entering projects", renaissance layout of logistics industry. This shows that the Chinese government is striving for the construction of "big market, big logistics" and cultivate the "big brands, large enterprises". In this background, China has been the rapid development of circulation. The traditional salt circulation pattern is not suitable for the current market development situation extremely.

The upgrading of the consumer market

Since the reform and opening, China has maintained sustained and stable economic growth. GDP increased at an average rate close to 10%, even in the current financial crisis, China's economy is still possible to achieve 8% growth. China's economic growth had improved the Chinese people's income increases. The huge population base and increasing revenue is destined to upgrade China's consumption, which contains many opportunities.

The domestic market diversification determined the level of consumption upgrading. China is a typical dual economy. Big difference existed in cities and countryside, which determined unbalanced and diversified development of the consumer market in China. There was not only the level of consumption of the one and two grade markets, there are also a large number of three and four low-level markets (there is no precise definition for three and four low-level market in marketing. According to the difference of market development patterns and consumption pattern, municipalities, provincial capitals, cities and economically developed areas are designated

as one and two level market; the left markets are three and four market. Actually, the connection area between cities and countryside and community markets in municipalities, provincial capitals, cities and economically developed areas are belongs to three and four markets). Uneven market development trends determine the huge consumer upgrading space in the future.

Stimulating domestic demand, the policy decision process to speed up the upgrading of the consumption. China's economic development relies on three carriages: exports, investment and domestic demand. The domestic demand has been weaker than the first two factors. In recent years, the Chinese government focuses on promoting the sustainable development strategy and emphasized the importance of initiating domestic demand. In addition, the U.S. economy due to the continuing subprime loan problem reached the outbreak of the edge of recession, and thus dragged down the global economic growth. China's economy has also affected greatly because of increasingly integrated global economy. And a considerable impact, "China's economy is probably the most difficult year in this year" (Wen Jiabao). In order to ensure stable and rapid development of China's economy, the Chinese government has introduced four trillion investment plan and start to increase the domestic market, especially three and four grade markets. There are currently two points deserved special attentions:

- (1) Regionalization development strategies have been formed. Chinese government started development of the western region, revitalize Northeast China, central China, Tianjin Binhai New Area and other regional development strategy one after another in recent years in order to promote the balanced development of the domestic regions and exert their resource advantages. The integration of the domestic market is further integrated and industry upgrading and transfer speed are increased, which leads rapid economic growth.
- (2) The construction of cities and towns entered a crucial stage. The outcome of China's

economic development is benefit ordinary people in a time when more than reflected in the following two aspects: one is to speed up urbanization; the other is to speed up the construction of new countryside. These two strategies are important way to construct the affluent society. The new consumption demand is very huge every year.

Facing to the enormous consumption opportunities brought by consumption upgrading, salt wholesale enterprises must think about what to develop and how to develop. The development of logistics industry

After the reform and opening up, especially, since the accession to the WTO, China's trade logistics industry has been gained the rapid development. They are highlighted in the following four aspects:

(1) Multi-level commercial district. Multi-level commercial structures have been formed gradually with the city's multi-center, and the emergence of business communities, as well as rural areas urbanization, including the core commercial district, sub-district, community district, urban district.

(2) Diversified logistics industry. Chinese logistics industry have been developed to a very complicated industry which is composed by lifestyle department stores, chain supermarkets, convenience stores, various specialty category stores, discount stores, membership stores, brand stores, home centers, shopping mall, television/telephone/online shopping, Taobao stores etc.. It is still continuously developed.

(3) Flattened Channels. Now market competition is no longer limited to enterprise to enterprise, but the supply chain and supply chain competition. Whether manufacturers or distribution companies, they need as much as possible close to consumers, response the consumer demand timely, and make a timely response. Therefore, the intermediate channels of commodity distribution are compressed as far as possible. The strategy channel of enterprises is flattened gradually, such as the direct link between the manufacturing enterprises and the large scale retail chain groups.

(4) Logistics modernization. Logistics is not only an important component of circulation and the key protection of circulation development. In recent years, the logistics industry has been gained rapid development in China. The logistics production value rapidly increased, more and more enterprises recognized that the logistics as a third-aspects profit source. Many giant international logistic enterprises enter into China, such as Federal Express, UPS, Maersk. The domestic logistic enterprises also grow up, such as COSCO, CMST and PGL. The logistics business model transferred from a single storage and transportation to a third party, fourth party logistics. Modern logistics rapid development strongly supports the development of Chinese logistics and formation of domestic unified market.

In short, the salt wholesale enterprises need to consider seriously how to integrate into a unified domestic market under the circumstances of the salt monopolization management policy adjustment. The enterprises can adapt to Chinese great change in business structure, and find strategic opportunities in the process of consumption upgrading.

COMPETITIVE ANALYSIS OF SALT WHOLESALE ENTERPRISES

Salt wholesale enterprises must consider the effect of salt monopolization policy when they select the strategic path. There are two aspects consideration, monopolization management and no monopolization management.

The competition under the monopolization

The salt monopolization management system is the local monopolization in the operation currently. The market has been artificially fragmented. Salt wholesale enterprises occupied monopolization status on the market. There is no competition at all. The business model is single and limited to the wholesale of salt, salt distribution industries,

packaging and so on, basically is "shopkeeper."
The competition under non-monopolization condition

The salt wholesale enterprises must consider the competition from the basic formation of a nationwide logistic after the salt monopolization policy changed or canceled. The salt wholesale enterprises will face two groups competitors base on the business model of salt wholesale enterprises. The large retail chain stores represented by Wal-Mart. The large retail chain stores represented by Wal-Mart has strong brand rallying point and management integration capabilities. They occupy the high-quality market in the cities, close to consumers, intensive stock abilities. They have stronger position in the current product circulation, and even to the chain master and further to influence the decision making of manufacturing enterprises. These large retail chain stores may purchase the salt directly from the salt enterprises and use their own brand names if salt monopolization policy is canceled. The enterprise groups represented by salt manufacturing enterprises. The large-scale salt production enterprises often have the resources, products, R&D and production cost advantages. They have competed in the industrial salt market for many years. And more and more companies started to do the packaging and distributed for some customers. In addition, more capital and enterprises will enter this market because of the interest-driven after the abolition of the monopolization. These producers may across the salt wholesale enterprises and cooperate with retail stores directly and develop the urban high-quality market.

Overall, the salt wholesale enterprises do not have any competitive advantage comparing the above two strong competitors under the market economic conditions. The only advantages are weak distribution network and distribution capability. It is actually attached to the monopolization salt policy. Salt wholesale enterprises must be from the "shopkeeper" to "peddler".

THE NEXT STRATIGIC CHOICE OF THE SALT WHOLESALE ENTERPRISES

As an ancient saying goes: do not seek all ages persons, do not seek a moment. Do not seek all faces, do not seek an area. Salt wholesale enterprises should be fully prepared ahead of time to deal with possible changes in salt monopolization policy. We should think of the worst consequences and do the best job. Combining the advantages of salt wholesale enterprises advantages and operational characteristics, the strategic restructuring path can be selected as the following options.

Strategy positioning

Business positioning. The modern commerce circulation. Market positioning. It is located in three and four grades market, access to some of the emerging commercial districts and occupy the heights of the future, such as community commercial district, town and countryside commercial districts. Firstly, the overall size of 3 and 4 grades markets are large; the competition intensity is not high. Compared with 1 and 2 grade markets, 3 and 4 grades market cover a large of area and population, but no rich products, high price sensitivity and small brand influence. The sale terminals are small scales, mostly privately owned. The chain stores do not enter the channel. Secondly, the consumption demand is scattering status in 3 and 4 grades markets. The marketing cost should be high for the manufacturing enterprises. The consumption of 3 and 4 grades is usually small order and many batches, the consumption demand is scattered.

In recent years, 3 and 4 grades markets have been gained more and more attention to the manufacturing enterprises. The strategy of encircling the cities from rural areas has become more and more enterprises' choice. It must look for the business and manufacturing enterprises cooperation of scattered and integration market demand when these commercial enterprises want to enter the 3 and 4 grades markets. Integration of manufacturers and business is the basic model to expand the 3 and 4 grades markets. The operational

characteristics of the salt wholesale enterprises determine they can be integrated business of scattered market demand. They can be strategy allies when the manufacturing enterprises develop 3 and 4 grades markets. Channel positioning. We should address ourselves to provide the package of solutions for the customers. Salt wholesale enterprises generally have two channels: one is the salt channels, the goal should be the housekeeper beside the consumers. The other is industrial salt channels, the goal should be the purchasing experts.

Product positioning. The choice of business products should be compatible to the sales channels. Salt channels can select the goods for daily lives and agricultural products as a major product. Industrial channels can select soda and glaubers salt.

The strategic path

The selected strategic path is to implement three breakthroughs based on best job on salt industry when salt wholesale enterprise transformation. The core is logistic modernization. Circulation modernization. Salt wholesale enterprises must transform the circulation mode as soon as possible. The core has three points: First, to reduce intermediate links, to abolish the pending authorization, the realization of direct distribution to all retail terminals; Second, a subsidiary change for the branch system, and enhance the operating headquarters functions and control (centralized purchasing to reduce procurement costs; centralized distribution to capture customers and increase asset use efficiency; centralized balance to improve capital efficiency); Third, all terminals have been assigned to assume the three functions, namely, product sales, financial services and advertising promotion. It will expand the value-added services and fully exploit the sale of market development, service and propagandize role, raising the assets to maximize the efficiency and operational efficiency. Salt products series. The salt product is single series in the current wholesale enterprises, especially for the table salt. It need to strengthen R&D and enrich the product series. This also shows the diversity

management for salt wholesale enterprises. The salt wholesale enterprises are necessary to correctly understand the levels of the product concept, develop in-depth of the consumers multi-level needs. They should use of various R&D development model such as replacement packaging, changing specifications, enhancing the quality of salt, enriching the variety of species. At present, we should break through is this: Firstly, to use ordinary salt marketing mode operates small salt markets, such as substituting the ordinary refined salt by the green salt, the green alternative to ordinary low-sodium salt, green snowflakes salt to low-sodium salt; Secondly, to introduce various salt to meet the small markets, and to form a complete salt product system and price system; The third is to strengthen the research and development, "green, environmental protection and security" as the core to develop varieties of non-edible salt products and expand the living space. Non-edible salt is different from table salt. Variety of non-edible salt is often not belonging to the salt industry. Specific products varieties are determined the different industries involved. For example, washing salt products actually entered the daily chemicals industry, animal salt products has entered the animal feed industry. The traditional mode of operation of the trade in salt industry is not suitable to the non-edible salt. The operation of non-salt products. Logistic enterprises should manage as many products as possible. Salt and non-salt products are both the products by the salt wholesale enterprises, just the different profit margins. The products can be selected by the strategic orientation. The salt wholesale enterprise should gradually become the provider of majority of products for the end retailers. The terminal retailers will rely on the wholesale enterprises. It should exert the function of headquarters of salt enterprises to do a good job on non-salt products management. Firstly, we must understand the customer needs timely; secondly, it is to reduce circulation costs as much as possible; thirdly, as far as possible to develop the value-added points of profit. Salt wholesale enterprises should change their

marketing thinking, organizational structure, business processes, assessment methods, etc.

In doing well the above three points, the salt wholesale enterprises should grasp the brand and the ability to integrate. The salt wholesalers can be converted to the retailers gradually and achieve sustainable development. The first step is to allocate directly all the terminal retailers in all market area. The second it to occupy the majority of direct store distribution terminals and even all of products sharing; the third step is to form of property rights relations with some terminal stores, build a network of retail chains, and then become a large scale retail chain group; the fourth step, is to enter the 1 and 2 grade market, the realization of encircling the cities by rural areas.

Strategies

Salt wholesale enterprises must take a lot effort in order to achieve the above-mentioned changes, but also need set the system and mechanisms protection. To change the ideas. Firstly, although the salt wholesale enterprises perform some duties of the monopolization, but it is not government; Secondly, the wholesale enterprises of salt is the simplest and lagged logistic enterprises, the lack of advantages in comparison with competitors; Thirdly, the strategic transformation should be pyramid project, it needs change from top to the bottom. To strengthen evaluation. Assessment is the core of enterprises management. The salt wholesale enterprises must break the egalitarianism of traditional assessment models, and rebuilt the assessment system with market-oriented, couple with strategic restructuring and business process reengineering; the enterprise resource should tilt to first-line sectors of market. To build brand. The brand-building should include two parts for salt wholesale enterprises. One is brand-building, in order to achieve the consumer purchase by brand; the other is construction of circulation brand. It must change the image of salt company which only sells the salt and only able to sell the salt. The salt wholesale enterprises should provide

customers with a package of solutions, will build their own to the consumers housekeeper and customer procurement experts. Product brands and enterprises circulation brand can interact each other, but with particular emphasis on circulation brand building.

To cultivate talent. Talent is the core of all revolutions. The salt wholesale enterprises lack of talented people. Firstly, we must introduce more talented people and exert catfish effect; secondly, we should strengthen training, adjust the existing staff structure and work structure.

In short, the biggest advantages of the salt wholesale enterprises own the resources of abundant of customers, network, marketing and logistics assets. The development of the salt wholesale enterprises should focus on three breakthroughs and 3 and 4 grades markets cancel the wholesale substitution and transfer the sub-company to individual company. We must further develop the circulation modernization and diversify products management. The salt wholesale enterprises should change the business mode and develop the modern logistic industry.

THE DEVELOPMENT TRENDS OF SALT MONOPOLIZATION MANAGEMENT

The integrated development of China Salt Company can be divided into three steps:

The first step is to concrete the business department system

Business department is the operation center, profit center and management center. As the management platform in salt monopolization plate, the salt monopolization division of China Salt Company will concrete further the business department system base on the simulated business department system. It will take on the responsibility on strategy, performance of evaluation, management plan, two-way communication, technology management, budget management.

The second step is to build a national modern business circulation enterprise

China Salt Company has 12 salt

wholesale enterprises, 5 five distribution centers, an international trade and a national salt reserve. It will integrate sub wholesale enterprises and their operation, circulation assets and market network (to increase the development of end-users and improve the network construction; to optimize the network layout, and enhance the assets of the joint; enrich the products, in particular own-brand products; to enhance category management and the re-processing capability, to expand the value-added space; to strengthen the cost accounting). The initial construction of a national circulation modern enterprise will be built.

The third step is to create Chinese

comprehensive commercial company

Finally, based on the national commerce circulation enterprises, we should adopt the integration of strategies to extend the industrial chain and control the production and retail; On the other hand, we should gradually improve the financial functions and realize the integration of industrial capital and financial capital, to build integrated commercial district.

In short, how far thinking is, how far action can be made. The development space is unlimited for the salt monopolizing of China National Salt Industry Cooperation.