1. Current Status of Supply Chain Management in China
Objectives

- Learn the supply chain management practices of MNREs in China
- Understand the current status of the supply chain management of Chinese retailers
- Identify the major problems and opportunities in retail supply chain management in China
- Analyze the direction of the future development of supply chain management in China
Supply Chain Management of Metro in China

- **Metro**
  - Centralized purchasing and distribution
    - Frozen food and fresh food distribution center
    - Cold storage and dried food distribution center
    - Non-food merchandise distribution center
  - Information system
    - RFID (Radio Frequency Identification System)
Wal-Mart’s success is its information and supply chain management systems.

- **Advanced information system**
  - check all store inventories in the world in one hour.
  - Replenishment in 2 days

- **Transportation**
  - Own transportation vehicles.
  - Satellite system and GPS on all trucks.
Distribution Centers

- 110,000 square meters and .2 billion products
- Different types of distribution centers: food, non-food, Sam’s club, apparel, imported products, and return products
- 320 kilometers and 100 stores
- Located in the center of the 100 stores
- Less than one day transportation
- Located at suburb
- 85% merchandise go through distribution centers.
- It has three distribution centers in China
Walmart in China

- Challenges for Walmart in China
  - Walmart’s advantages in information system and supply chain management haven’t been fully achieved in China.
    - Don’t have many stores
    - Lack of national suppliers
    - Underdeveloped transportation and supply chain system
    - Lack of information network with suppliers
Supply China Management of Carrefour in China

- **Carrefour**
  - suppliers’ distribution system + distribution center
    - More than 20 distribution centers
    - Localized purchasing and distribution
      - 85% products were locally purchased.
Information and Supply Chain Management System of Chinese Retailers

- Information and supply chain management systems in Chinese retailers fall behind.
  - Gome adopted supply chain management system in 2002.

- Traditionally rely on suppliers’ distribution system (2003)
  - 74% supplier distribution
  - 13% third party
  - 13% self distribution
Information and Supply Chain Management System of Chinese Retailers (Cont.)

- Distribution centers
  - Small
  - Low level of modernization
    - Not fully computerized
    - Few warehouses with air conditioners and refrigerators
    - Short of specialized equipment and vehicles
  - Lack of functions
    - Storage
  - Low efficiency (Zheng and Yi, 2006)
    - Half of distribution facilities haven’t been fully utilized
    - The square feet of distribution centers/ those of stores is 1/3 for Chinese retailers; 1/10 for Walmart
    - Replenishment time for Chinese retailers is 15-20 days; 2 days for Wal-mart
Information and Supply Chain Management System of Chinese Retailers (Cont.)

- The information system and supply chain system have developed quickly in recent years
  - 1,500 distribution centers established by chain stores by the end of 2007
  - It is common for a supermarket to have 60% of self distribution.
  - Some retailers have its own fresh food distribution center and “cold chain”
Distribution System in China Retail Industry

- Fewer Intermediates and channel is becoming flatter and wider
  - 60% are purchased from dealers
  - 40% are purchased directly from manufacturers
  - Larger retailers have a higher percentage of direct purchase; small retailers have a higher percentage of purchase from dealers
Distribution System in China Retail Industry

- **Market concentration is increasing** *(China Supplier Research Center, 2009)*
  - CR4 and CR8 for supermarket are 35.16% and 56.90% respectively in 2005
  - CR4 and CR8 for supermarket are 38.02% and 59.56% respectively in 2008

- **Retailers are gaining power** *(China Supplier Research Center, 2009)*
  - 82.05%, commission
  - 11.22%, buy
  - 6.73%, joint-running

- **Wholesalers become fewer and larger**