

Research on cost management of Suning's supply chain

Wu Fan

School of Economics and Management, Nanjing University of Science and Technology, Nanjing, China

Keywords: Listed company, Supply chain, Cost management.

Abstract: Supply chain cost management can strengthen understanding and communication between organizations, work closely together to share information, share risks, and correct unreasonable expenditures or losses in a timely manner. Through the analysis of the procurement costs, logistics costs, and marketing costs in Suning's supply chain, this paper finds that Suning's supply chain cost management still has some problems, and then this paper puts forward some suggestions, Suning can reduce operating costs and gain competitive advantages by reasonably planning procurement costs, increasing logistics cost control, and rational allocation of marketing costs. Supply chain cost management can strengthen understanding and communication between organizations, work closely together to share information, share risks, and correct unreasonable expenditures or losses in a timely manner. Through the analysis of the procurement costs, logistics costs, and marketing costs in Suning's supply chain, this paper finds that Suning's supply chain cost management still has some problems, and then this paper puts forward some suggestions, Suning can reduce operating costs and gain competitive advantages by reasonably planning procurement costs, increasing logistics cost control, and rational allocation of marketing costs.

1. Company Introduction

Suning's predecessor was Suning Electric Appliances, which mainly operated household appliances in the form of offline stores in the early days, and the business form was operated by distributors. In 2005, Suning set up a B2C department and began to study the field of e-commerce. In 2009, Suning and IBM jointly developed a new system, aiming to build a network community platform that integrates purchase, communication and learning, mainly selling home appliances, and officially renamed Suning. At present, Suning's online platform has ranked among the top three B2C in the Chinese market, and has perfect logistics warehousing, distribution and other supply chain logistics services. And the use of online and offline model to carry out retail business. For manufacturing enterprises, the structure of supply chain should include procurement, production, processing, manufacturing and warehousing, storage, sales, logistics all links, so formed from "raw material suppliers" to "manufacturers" to "distributors", "retailers", and finally to "customers" all complete chain. However, for retail enterprises like Suning, its supply chain does not involve production, but only procurement, storage, sales of goods, as well as important logistics services. Therefore, the external supply chain mainly involves suppliers and customers, and the external supply chain mainly involves the management of suppliers and customers. Suning's internal supply chain involves procurement, sales, logistics, customer service and offline store operation. This paper mainly discusses the internal supply chain of Suning, and looks at the current situation of supply chain cost management from procurement, logistics and sales.

2. Cost composition of Suning's supply chain

The cost structure of Suning's supply chain is mainly composed of four aspects: procurement cost, logistics cost, marketing cost and customer maintenance cost, but the customer maintenance cost has no specific data and information and cannot be analyzed. The following table shows the details of Suning's supply chain costs.

Table.1. Details of Suning's supply chain costs

Procurement cost	Partner procurement cost
Logistics costs	Positive logistics costs, Reverse logistics costs
Marketing costs	Advertising costs, Rental fees, Hospitality expenses, Travel expenses,

3. Suning's supply chain cost management analysis

3.1. Logistics costs

As can be seen from the table, the logistics cost in 2019 increased by 3 times compared with 2015, which is due to the increase in the sales scale of home appliances and non-electrical products such as beauty, mother and baby, daily necessities, and clothing, the scale of commodity distribution has increased, and the transportation cost has also increased. From the figure, it can be seen that the proportion of Suning's shopping flow cost to total cost has been rising, and it has stabilized in recent years, indicating that logistics cost control is good, because logistics has not risen sharply and exceeded the total cost increase. The proportion of logistics costs in total costs can be seen from this, all below 2%, because Suning line channel turnover is small, although it ranks third in similar companies, but there is a big gap with the top two. With the continuous expansion of Suning's online business, the cost of Suning's shopping stream will inevitably increase significantly in the future.

Reverse logistics costs are very important for Suning, because Suning's main business is home appliances, such goods due to the quality of goods or damage during transportation and other reasons for the return process, Suning to bear the logistics costs of the return, Suning generated the reverse logistics costs of the reasons are goods do not meet expectations, goods damage, wrong goods and quality problems. The main reason for the reverse logistics cost of Suning is commodity damage and delivery errors, accounting for 41% and 29% respectively, which causes a great financial burden to enterprises, and delivery errors and commodity damage rates can be solved by formulating corresponding processes.

Table.2. Suning's logistics costs from 2015 to 2019

Vintage	2015	2016	2017	2018	2019
Logistics costs	14.69 million	21.24 million	28.47 million	36.12 million	43.29 million
Logistics cost as a proportion of total cost	1.27%	1.67%	1.76%	1.73%	1.88%

3.2. Marketing costs

From the table we can see that advertising promotion fees have experienced a sharp rise in 2017 and 2018, an increase of 40%, its growth is mainly used to strengthen the promotion of online business, especially in the mobile terminal, new categories to promote the increase in investment, which will promote the increase in advertising costs. Although the amount of advertising promotion fees has increased significantly, its proportion of main business income is very low, so its investment in promotional activities is still quite cautious. Moreover, its proportion of the main business income is basically maintained at about 2.5%, Suning will spend most of the marketing expenses for market promotion and advertising, because the proportion is small, and it cannot be seen how much growth the growth of advertising has brought to operating income.

Table.3. Suning's marketing costs from 2015 to 2019

Vintage	2015	2016	2017	2018	2019
Rate of change in advertising promotion fees	—	10.49%	42.40%	44.61%	-0.74%
Proportion of main business income	2.21%	2.23%	2.52%	2.80%	2.54%

4. Suggestions

It can be seen from the above analysis that logistics costs are rising year by year. Suning has its own logistics system, but compared with logistics companies, there are still not enough warehouses and logistics efficiency is not high enough. Moreover, the policy of next-day delivery often makes one car carry few goods, so night delivery is inefficient and logistics costs are large. Logistics service revenue accounted for only 1% or so in all the business, so Suning can open their own logistics system, increase the cooperation with external enterprise, not only can reduce the cost of it, still can improve the utilization rate of self-built logistics, achieve the goal of authors efficiency, at the same time to build the brand image, improve their logistics competitiveness. In order to reduce the cost of reverse logistics, it should pay attention to the packaging of goods. For the compressive and anti-fall goods, simple packaging can be used. For the fragile and anti-damage goods, fillers should be used to reduce the breakage rate. At the same time, it is necessary to carry out fine management of delivery, and artificial intelligence can also be introduced for intelligent subcontracting, which can not only reduce labor costs, but also reduce wrong delivery. In both 2017 and 2018, advertising and promotion expenses experienced a significant increase of 40%. As a percentage of the main business revenue, it is difficult to see how the significant increase in advertising spending contributed to revenue growth. In order to increase online marketing and publicity, marketing should also be reasonable. Therefore, online and offline stores can develop together and save a lot of publicity costs. Suning can differentiate online products from offline products. For products specially supplied online but not available offline, samples can be placed in offline stores, and consumers can try them in physical stores to avoid the disadvantage of online purchase after offline experience in online joint sales. Now video platform more fire, can cooperate with each big video platform, brand construction, make consumers fully understand Suning's main business characteristics, to avoid useless advertising, strengthen exposure, carefully study the characteristics of new media, content planning, integrated into the consumer life, avoid too abrupt ads repels the consumers.

5. Conclusions

Supply chain cost management can strengthen the understanding and communication between organizations, closely cooperate to realize the sharing of information and risk. Based on the analysis of supply chain cost management of Suning Tesco, this paper shows that strict control of supply chain cost can save a large part of costs, among which strengthening procurement cost, logistics cost and marketing cost is the key link. From the above analysis, it can be seen that Suning's supply chain cost management is good, but there are still some problems. Due to the expansion of business scope and the increase of commodity types, it is difficult to control the procurement cost. Suning's self-built logistics is not efficient, and poor delivery management leads to a lot of reverse costs, which increases logistics costs. In order to speed up the online layout, Suning has increased its investment in advertising and increased its operating costs. Finally, this paper puts forward some suggestions. Suning Can reduce operating costs and gain competitive advantages by rationally planning procurement costs, strengthening logistics cost control and rationally distributing marketing costs, so as to occupy a place in the same market.

References

- [1] Ye Fasen. The Application of Supply Chain Cost Management in Manufacturing Enterprise Cost Control [J]. Accounting Learning, 2020, (36):132-133.
- [2] Xu Yizhan. Application of Supply Chain Cost Management in Manufacturing Enterprise Cost Control [J]. Time Finance, 2018, (27):107.
- [3] Chen Chunping. Enterprise Collaborative Cost Management Strategy based on Supply Chain Management [J]. Enterprise Reform and Management, 2017, (17):6+23.

- [4] Li Wei 'an, Li Yongjian, Shi Dan. Research on supply chain governance theory: concept, connotation and normative analysis framework [J]. Nankai management review, 2016, 19(01):4-15+42.
- [5] Liang Biming, Zhang Dongmei. Analysis of Cost Control Methods based on Supply Chain Management [J]. Journal of Scientific Theory, 2014, (36):28-29.
- [6] Zhang Shiqiang, Xu Guowei. Research on the methods of retail supply chain cost management [J]. Dongyue collection,2014,35(06):144-148.