

Analysis and Countermeasures of Y Company's Cost Management in New Retail Form

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Abstract: With the development of Internet and e-commerce, “new retail” is emerging quietly. Although the new retail model has driven the transformation and upgrading of traditional retail and e-commerce retail, there are also some problems in the process of large-scale expansion of “new retail”. For example, there was a brief cooling down from the end of 2018, and the amount of financing dropped significantly. In 2019, Hema closed its stores for the first time in history. Therefore, this paper takes Company Y, an advanced new retail enterprise in China, as an example to study the cost management of enterprises under the new retail format in China. Based on the cost management, this paper analyzes the Company Y and puts forward some countermeasures to solve the problems.

Keywords: new retail; Y Company; Cost management

1. Introduction

1.1 Definition of new retail concept

New retail is a brand-new retail mode in which enterprises rely on the Internet to upgrade the production, circulation and sales process of goods by using big data, artificial intelligence and other advanced technology, thus reshaping the format structure and ecosystem, and deeply integrating online service, offline experience and modern logistics. It was Ma Yun who first proposed in 2016 that the era of pure e-commerce would soon end, the form of pure entity would be broken, and new retail would lead a brand new business model in the future. Its essence is to use “new technology” and “new logistics” to realize the combination of online, offline and mobile channels, to improve retail efficiency, increase market share, reduce sales cost, and realize personalized customization^[1].

1.2 Basic information of the company

Y Company, founded in 2001 and headquartered in Fuzhou City, Fujian Province, is a large private joint-stock enterprise group cultivated by Fujian Province in the process of promoting the transformation of traditional agricultural market to modern circulation mode. Y Company is one of the first circulation enterprises in Chinese mainland to introduce fresh agricultural products into modern supermarkets. It is praised by the seven ministries and commissions as the model of “changing the agricultural and trade supermarket into the living supermarket” in China, and is praised as “people’s livelihood supermarket and common people’s company” by the people. Company Y is one of the top 500 enterprises in China, a national leading enterprise of “circulation” and “agricultural industrialization”, and has been awarded “China Famous Trademark”. The State Council awarded the “National Advanced Employment Enterprise”, “National May 1st Labor Award” and other honorary titles. The sales amount of Y Company in 2018 was 76.767 billion yuan, with a sales growth rate of 17.4%; the total number of stores is 1275, ranking the sixth among the top 100 chain enterprises in China.

2. Cost analysis and existing problems of y company

2.1 Procurement costs

From the perspective of value chain, commodity procurement in the traditional retail industry consists of the following links: manufacturers - national distributor - provincial distributor - regional distributor – retailer^[2]. At each stage, there is an import and export price gap. With sales rebates, the price difference from manufacturer to retailer can be large or even double. Since there are too many traditional procurement links, which is not conducive to cost control, Y Company skips the supplier link and directly purchases from farmers or enterprises with fresh products, thus reducing the circulation link. This kind of purchasing method is the key for Y Company to control the cost. By purchasing directly from farmers, it can better narrow the price gap with the farmers' market and control the cost of products. At the same time, the production base can be planted and produced according to orders, and can fully consider the characteristics of local agricultural products, to ensure the quality of agricultural products. This way can also ensure the timely supply of fresh products.

By means of direct procurement, Y Company continuously integrates the supply chain upward, which not only reduces the procurement cost but also ensures the quality of fresh food. Company Y mainly purchases fresh products in two ways, namely national unified purchase and regional direct purchase. Among them, the proportion of national unified procurement is only about 20%, while the proportion of regional direct procurement is more than 70%. Through this seamless connection between farmers and supermarkets, the win-win situation between supermarkets and farmers is realized while maintaining the price advantage of Y Company^[3]. Although the fresh product is purchased directly, it is not easy to store and easy to rot, unlike other commodities that can be directly placed in the warehouse or on the shelf, so its wear and tear cost is relatively large. So there is also the question of what level supermarkets will charge for fresh produce. The pricing of the products should not only ensure the profit of the supermarket, but also improve the gross profit rate of the enterprise and make the customers accept it.

2.2 Logistics costs

Y Company has basically built its own logistics distribution system. Company Y divides the existing logistics centers according to the temperature zone in China, including 17 normal temperature distribution centers (including transfer warehouse) and 5 fixed temperature distribution centers (including transfer warehouse)[4]. Because Y Company is mainly operating with fresh products, which is perishable and not easy storage, it has higher requirements for temperature conditions. In order to reduce the damage to the fresh products and guarantee the quality, Y Company is actively improving its management ability in cold chain logistics, so as to guarantee the required temperature of frozen food in every link like production, transportation, storage and sales. In this way, the distribution time is shortened, the products can be delivered to customers in the shortest time, and the competitiveness of the company is increased.

Y Company has higher logistics costs. Although logistics costs are not listed separately in the financial statements for the first half of 2020, freight and storage service fees are listed in the list of Y Company's sales expenses. The amount incurred in the current period is 750,387,828.01 yuan, while the amount incurred in the previous period is 538,843,058.48 yuan, with an increase of 39.26% compared with the same period last year. This is because in order to deliver the goods in the shortest time, Y Company sets up distribution centers in multiple places, which increases the cost of each distribution process. Because of increased online sales also increased the difficulty of distribution and costs at the same time, some reasons result in an increase in cold chain logistics costs, such as company Y for fresh agricultural products cold chain logistics cost management system is not perfect, the staff for cost control awareness is not strong, the waste of ice in the cold chain transportation cannot be secondary use, transport efficiency of fresh agricultural products is slow, and so on. Many reasons caused the increased cost of cold chain logistics, such as online sales result in an increase in the difficulty and cost of fresh agricultural products cold chain logistics cost management system is not perfect, the staff for cost control awareness is not strong, the ice in the cold chain transportation cannot be

secondary use, transport efficiency of fresh agricultural products is slow, and so on. Therefore, the logistics cost of Y Company will further increase under the new retail format^[5]. Because the construction of logistics information system of Y Company is not perfect enough, the sales demand and distribution demand of each store cannot be understood in time.

3.Improvement measures for y companies

3.1 Establish correct cost control concept

Now many enterprise managers are not familiar with cost control, and some even lack the concept of cost control and financial knowledge, so they are more inclined to rely on their own experience or other companies' countermeasures to solve problems, which led to low efficiency in solving related problems. In fact, cost control runs through the whole process of cost formation and accounting system. The purpose of cost control is to help enterprises reduce costs in the process of operation. When other conditions remain unchanged, enterprises' costs are reduced, their profits will increase correspondingly. As profits increase, enterprises' competitiveness will also be enhanced. Therefore, the correct concept of cost control can effectively help enterprises reduce costs and increase profits. Management and employees should establish correct cost control concept and modern cost management consciousness. Every department and every employee is required to establish a good sense of cost and form a sense of cost control throughout the enterprise^[6]. The financial personnel of the company should do a good job in the annual cost budget, improve the cost control and the overall status of the cost budget, so as to make some contributions to the company's operation and management. Only when every employee of the company is aware of the importance of cost control and takes actions in practical work can cost control be effectively implemented in every link.

3.2 Innovation of logistics ideas under the premise of perfecting logistics system

The construction of logistics information system of Y Company is not perfect enough, which leads to the low efficiency and the decline of competitiveness of the company, so Y Company should pay attention to logistics. If the logistics efficiency is improved, the logistics cost will be reduced, which will further improve the economic benefit of Y Company and reduce the cost waste. Therefore, Y Companies can refer to other enterprises to establish a sound logistics information system and combine their own characteristics for further innovation. For example, on the premise of ensuring service to speed up the delivery speed, general customers hope that their goods can be delivered as soon as possible, and it is best to be delivered to their hands the next day, thus Y company can take the customer's psychology as the entry point to improve the delivery speed. In order to meet the different distribution requirements of customers, JingDong has made different regulations on distribution methods, but the purpose is to improve customer service and speed up distribution. Y Company mainly focuses on fresh products, so it is more necessary to speed up distribution. Delivering fresh products to customers within the best edible time can greatly improve customer satisfaction and attract more people to buy products in Y Company. Although this will increase the cost of logistics from the horizontal point of view, it will achieve the purpose of word-of-mouth transmission from the vertical point of view. from the vertical analysis, it realizes the word of mouth. The cost of word-of-mouth transmission is zero and the value of enterprises and products can be infinitely amplified^[7]. Therefore, Y Company should not only establish a sound logistics information system, but also innovate the idea of logistics distribution to improve the value of enterprises.

4.Conclusion

The new retail industry is a major reform of the retail industry. From the development trend, the new retail industry is in the stage of rapid development, and the cost management is particularly important in this new retail mode. Take Company Y as an example, to establish a correct concept of cost control, do a good job in cost budgeting and improve the value of the enterprise, but also in the establishment of a sound logistics system, a sound logistics information

system is very important. Y Company should establish a correct concept of cost control, do a good job in cost budgeting, improve the value of the enterprise, and establish a sound logistics system. A sound logistics information system is very important.(改批注4) It can timely reflect the needs of each store, improve the distribution efficiency and thus increase the value of the enterprise. So we hope to improve the economic benefits of enterprises through cost management, and then promote the development of China's economy.

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