

A Study on the Development Strategies of Chinese Small and Medium Sized Logistics Enterprises in the Era of “Internet +”

LIU Zhongcheng^{[a],*}; YAO Yanyan^[b]

^[a]Finance & Economics Department, Shandong University of Science & Technology, Jinan, China.

^[b]College of Economics & Management, Shandong University of Science & Technology, Qingdao, China.

*Corresponding author.

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Abstract

With the continuous integration of “Internet +” and logistics industry, logistics enterprises in China have accelerated the pace of transformation and upgrading. This paper identifies the development status and problems of the small and medium sized enterprises, analyzes their strengths, weaknesses, opportunities and threats in the Internet era by SWOT analysis, and puts forward targeted countermeasures for the development of the enterprises.

Key words: Internet +; Small and medium logistics enterprises; SWOT analysis; Development strategy

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INTRODUCTION

In 2015 the Prime Minister Li Keqiang put forward the “Internet +” program for the first time in his government work report, which aimed to transform economic development and promote the optimization and upgrading of the industrial structure by combining Internet and traditional industries. As we all know, since joined the

WTO China’s total trade volume has become the highest in the world, and China has become a strong trading and manufacturing country. However, logistics have not met the requirements of the growing market, whose operational inefficiency causes twice the costs in developed countries. In July 2015, the State Council issued the *Guidance on the “Internet +” Action* and proposed “Internet + efficient logistics”: Accelerate the construction of cross-industry, cross-regional logistics information service platforms, improve supply and demand information exchange and use efficiency, encourage the application of big data and cloud computing in the field of logistics, construct intelligent storage system, optimize logistics process, improve the automation, intelligence and operational efficiency of logistics and warehousing, reduce logistics costs (Liu, 2015).

1. SME DEVELOPMENT STATUS AND PROBLEMS

The *Logistics Enterprise Classification and Evaluation Indicators* jointly developed by China Federation of Logistics and Purchasing and the National Logistics Standardization Technical Committee holds that, small and medium sized third party logistics enterprises refer to a kind of logistics enterprises according to fixed asset, annual turnover, annual paid tax and enterprise size, and normally refer to those logistics enterprises with fixed assets of less than 10 million yuan, annual turnover of millions to tens of millions and less than 500 employees (Le, 2015). According to this criterion, small and medium logistics enterprises account for the majority of over 700,000 logistics enterprises in China, and constitute the main body of China’s logistics market. Due to the relatively lower entry barriers of logistics industry, logistics market has become increasingly competitive year by year. In order to gain advantages in the competition, small and

medium logistics enterprises must develop appropriate strategies to achieve sustained and stable development. Seeing from the current development of domestic small and medium logistics enterprises, the enterprises struggle due to lack of professional talent, capital and technology. Although the government encourages the development of logistics industry and develops relevant policies to arouse opportunities, new challenges will also follow.

China's logistics costs are typically 30%-40% of total logistics costs, but the costs of foreign logistics enterprises are only about 10% of the total logistics costs (Lambertt, Stock, & Ellram, 2008). Due to the limited size of small and medium logistics enterprises, relatively low information service level and absence of effective information-sharing platform, the asymmetry of information has greatly increased logistics costs. China has a vast territory, transportation spans a wide range of lands, and transportation modes are multiple. The conversion among roads, railways and waterways also increases logistics costs. In addition, due to the limited logistics service region caused by the size of SME, most of the small and medium logistics enterprises can only provide transport, storage and distribution services, but rarely provide allocation, packing and other value-added services. Single and low level of service does not form an effective logistics supply chain.

2. SWOT ANALYSIS ON THE SMALL AND MEDIUM LOGISTICS ENTERPRISES IN THE ERA OF "INTERNET +"

2.1 Strengths

Internet can use information technology to build logistics information service platforms and information sharing platforms facing the whole society. Big data of the Internet and information transparency can effectively solve the problem of asymmetric information. Trucks and logistics parks, warehousing facilities and distribution stations can be connected by logistics information platform, so as to improve the efficiency of matching cargos and cars, reduce unloaded ratio and improve distribution efficiency. Small and medium logistics enterprises can use these platforms to expand market shares, reduce subcontracting processes, and enable customers to track their goods whenever and wherever possible, which can enhance the enterprises' profitability and improve customer service level. They can use logistics information technology and big data to build intelligent storage systems, achieve the sharing of packaging, sorting, storage and transport, improve warehousing management levels and reduce logistics

costs (Zheng, 2015). Finally, they can also use Internet technology to strengthen the ties of distribution stations, refine intelligent logistics and distribution systems, and improve the efficiency of logistics and distribution.

2.2 Weaknesses

First of all, due to the small size, single service content, less market share and low level of informationization, small and medium logistics enterprises have not yet had the capacity of supplying full logistics services. Secondly, the low degree of equipment standardization of the enterprises greatly reduces the use efficiency of logistics equipment. In addition, the lack of logistics and IT professionals, insufficient fund and inefficient management also become the bottlenecks affecting the development of small and medium logistics enterprises.

2.3 Opportunities

In recent years, the government has paid more and more attention to the development of logistics industry, and has developed a number of policies to create a better policy environment. The "Internet +" program has opened a new era for the development of logistics industry, and the Internet thinking is gradually rewriting the commercial and competition models of logistics industry. Internet platform greatly reduces logistics costs and improves the efficiency of logistics. In addition, small and medium logistics enterprises should seize the opportunities of "Internet +" and "One Belt and One Road" to win a bigger market in this large international logistics network (Xie & Zhu, 2015).

2.4 Threats

Network platform enables information to be transparent and prices to be open in front of consumers, leading to the disappearance of the profit models relying on subcontract and difference making (Li, 2015). In the era of Internet economy, consumers are free to express their views and can increase their demands on services, which require logistics enterprises to solve problems in a timely manner. Information security has become even more important. Hackers' steal and destruction of information will be a threat to the safety of customers, and brings challenges to the development of small and medium logistics enterprises (Shi, 2015). With the decline in environmental quality, the government has had an increasing requirement on the reliability and environmental protection of logistics and vehicles, but small and medium logistics enterprises are still uncompetitive in logistics technology, equipment or management. In addition, with the continuous influx of foreign logistics enterprises, their abundant capital strength, advanced management philosophy and merger of local enterprises to expand market share, etc. also pose a huge threat to the Chinese enterprises.

Table 1
SWOT Analysis Matrix

	<p>S:</p> <ol style="list-style-type: none"> 1. Use information technology to build information service and information-sharing platforms; 2. Build intelligent storage systems to reduce logistics costs; 3. Build complete distribution systems to improve delivery efficiency. 	<p>W:</p> <ol style="list-style-type: none"> 1. Simple services and low level of comprehensive services; 2. Low degree of equipment standardization; 3. Small size and high operating costs; 4. Insufficient talents and low management level.
<p>O:</p> <ol style="list-style-type: none"> 1. The Government has attached importance to the development of logistics enterprises and has created a favorable policy environment 2. The “Internet +” and “One Belt One Road” policy provide a broader logistics market; 3. Internet thinking has rewrote the business model and competition situation. 	<p>SO:</p> <p>Use the Internet thinking to build a new business model and competition landscape; Use logistics information technology and big data to build an intelligent storage system; Use Internet to build an information service platform to solve the problem of asymmetric information.</p>	<p>WO:</p> <p>Reform the existing logistics business model to improve efficiency and expand market share; Strengthen the alliance of logistics enterprises to solve the problem of network coverage in Europe; Introduce experience in capital, technology and management.</p>
<p>T:</p> <ol style="list-style-type: none"> 1. The previous profit models are threatened; 2. The demands of logistics services are increased; 3. Consumer information security is threatened; 4. National requirements on vehicle reliability and environmental protection are enhanced; 5. Some large foreign logistics enterprises have seized the Chinese market. 	<p>ST:</p> <p>Strengthen modern logistics management to meet the demand for logistics services; strengthen information security to reinforce advantage; strengthen propaganda to set up brands.</p>	<p>WT:</p> <p>Find market space to serve specific markets; Shrink the size to form service characteristics.</p>

From the above SWOT analysis we can find that, in order to grow in the fierce international competition, small and medium logistics enterprises must adapt to the development of Internet, embrace opportunities, rise to challenges, and try to find a specialized path suitable for self-development.

3. COUNTERMEASURE OF THE SMALL AND MEDIUM LOGISTICS ENTERPRISES

Logistics strategy means the process to increase an enterprise’s value and improve customer service to maximum its competitive advantages (Zuo, 2015). Faced with the increasingly fierce market competition, small and medium logistics enterprises should make a joint effort with the government and society to achieve a long-term development. Logistics enterprise management is also diversified, requiring close coordination of various departments, optimized allocation of resources, timely and effective information sharing.

3.1 National Policy Support and Assistance

Firstly, due to the limited size, small and medium logistics enterprises need supports from the government to establish a logistics information exchange system, which can integrate all kinds of logistics resources to achieve full sharing of information. Secondly, the government should play a coordinating role in organization, under the guidance of the “Internet +” logistics strategy, in the purpose of constructing an efficient, environmentally friendly, fully functional modern logistics system, work out a scientific and systematic development plan for logistics

enterprises in the region, vigorously integrate logistics resources to prevent blind or redundant construction, simplify logistics and customs clearance formalities to reduce logistics costs. Finally, the government must improve laws and regulations, especially those with regard to Internet information security, to truly strengthen the legal basis; must establish a unified logistics management norm and standard, taking into account the interests of both enterprises and employees.

3.2 Domestic Supply Chain Enterprises Should Strengthen Information Sharing

Strengthen the links between industries to enhance the overall service quality of the logistics industry. The development of logistics industry cannot do without the supports of transportation, manufacturing and related industries. We should make good use of the information platforms based on Internet and supported by national policy, make full use of information technology achievements to build a sound distribution system and smart storage system, improve storage management and logistics efficiency, reduce logistics costs.

3.3 Small and Medium Logistics Enterprises Should Full Stimulate Their Initiative

Firstly, enterprises should establish a modern logistics management philosophy, enhance market awareness, highlight their characteristics and provide customers with flexible and differentiated services, constantly enhance customers’ stickiness and build a “moat” for development (Yang, 2014). In the circumstance of “Internet +”, the value demands of information have become more and

more differentiated. Logistics enterprises should fully display the advantage of big data of “Internet +”, use data resources to push information precisely, increase the efficiency of customization, and enhance core competitiveness (Liu, Zhao, & Li, 2015). Secondly, small and medium logistics enterprises should establish a sense of innovation in business model, organization, technology and management. They should reform business models with the help of public Internet platform and mobile phone APP to establish low-cost regional logistics network; large-scale operations are the only way to rationally allocate resources and gain competitive advantages. Small and medium logistics enterprises are difficult to rapidly expand on their own. They have to ally or form clusters to expand market share and achieve scale economy; Technological innovation can booster the transformation and upgrading of logistics enterprise. The enterprises should pay attention to technological innovation, electronic informatization and mechanized operation, increase investment in infrastructure and reduce manual burden by mean of automatic equipment. Finally, they should introduce new blood to cultivate logistics personnel. Talents are the core competitiveness for the development of enterprises. The talents are having a good understanding of supply chain and the expertise of computer, finance, marketing and the entire logistics chain are the focus in training logistics personnel.

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