

Chapter 35

Study on Private Express Enterprises in Yunnan Province

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Abstract With the rapid development of economy and export-oriented economical pattern adopted in Yunnan province, the express industry grinds to a halt after a fast-growing stage in the past one decade. This paper tries to find approaches to this general issue through identifying critical attributions from analyzing the current situations. The author of this paper indicates that this plight stems from the inferior capability to make profits in private enterprises and then study how world four express giants do acquire higher profits from targets customers and endure the fiercer competition for sustainable earnings based on supply chain management (SCM). Lastly, suggestions for private express enterprises in Yunnan are proposed in terms of how to position themselves in conformity with the local market and how to improve their service for customers' satisfaction by taking the change of real idea about market as the first priority.

Keywords Private express enterprises · SCM · Approaches

35.1 Introduction

Express or courier is one of the most significant logistics activities offering door-to-door delivery services of tangible goods to customers by any mode or modes of transport by express enterprises. The development of express industry at home and abroad has certified the fact that express industry poses an impetus for improving

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of service industry, offering employment opportunities and optimizing the upgrade of economical structural transformation. That is also true with Yunnan's express industry. The express enterprises in Yunnan center on couriers in Kunming, which account for about 80 % of total volume. So far as the end of 2011, the licensed express enterprises reaches to 180 in total number, which contribute to the annual increase of approximately 20 % in volume since 2006 [1].

35.2 Current Development

The express industry in Yunnan, thanks to the unique access to south-east Asia and south Asia along with the infrastructures, the stable national economical advance and regional cooperation acceleration in ASEAN, has gone through the initial stage of development in the past 10 year, resembling the following characteristics.

35.2.1 Sound Development Momentum

Since 2008, the increase of express in both volume and turnover remains at least 15 % and keeps growing in normal circumstances. The Table 35.1 below can help better understand the general trend [2].

35.2.2 Diversification of Competitiveness

At the end of 2011, about 3,800 employees work in state-owned enterprises (8.60 %), private companies (77.10 %), and foreign corporations (14.30 %). We can witness that the development of express industry presents a wide range of competitive pattern. Although the private companies hold the majority in staffs hired, its business volume does not parallel with its scale of personnel, which can be illustrated in the following column of business classification in 2008 and 2009 in Kunming [3].

As indicated in the above chart, the majority volume (88 %) is occupied by EMS, a service offered by a state-owned enterprise China Post, while the minority

Table 35.1 2008–2011 Yunnan express volume and turnover

Indicators	2008	2009	2010	2011
Volume (in 10,000 pieces)	1,757	1,909.90	2,259.04	3,000.00
Turnover (in RMB 10,000)	41,238.20	47,693.38	59,440.33	71,000.00
Annual increase in volume		8.65 %	15.50 %	32.80 %
Annual increase in turnover		15.70 %	24.63 %	19.45 %

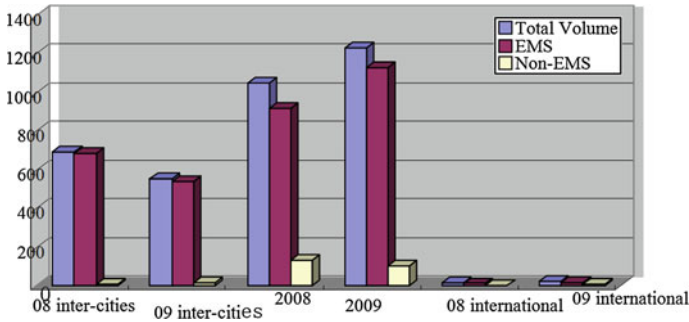


Fig. 35.1 Column 1 business classification in 2008-2009 (in 1,000 pieces)

part (12 %) is shared by private and foreign express providers. Besides, only a tiny business (less than 0.1 %) operates for international purposes. We can witness that the diversified competition pattern does not change the fact the state-owned enterprises in the express industry remains dominant, although the staffs in non-state-owned are prevailing (Fig. 35.1).

35.2.3 Service Upgrade

Rather than providing the sole delivery service to customers, express enterprises tend to render more extensive services in terms of normal transport, warehousing, distribution, inbound and outbound agencies, and logistics consultant as well as collection on delivery. Further, delivery services have been ameliorated with regards to door-to-door delivery, specified arrival and information tracking by adopting computers and portable terminals.

35.3 Problems Analysis

Mentioned above, although the development of express industry in Yunnan has been enhanced significantly in business volume and turnover, but some critical problems underlying are impossible to ignore.

35.3.1 Lower Margins

The most serious problem that those private express enterprises encounter centers on the fact that the increased business volume and turnover, instead, make their profits lower. Under the current earning model in the express industry, more than

half of profit derives from the outbound parcels, which can account for about 50–60 % of profit share. The inbound parcels, however, after the freight is deducted (20–30 %), can take 8–10 % while require much more costs and labors to consume for picking-up, distribution, and delivery to customers' terminals. That is the situation private express enterprises in Kunming face. In 2011, the total volume and the turnover witnesses both increase by 32.80 and 19.45 % separately (See Table 35.1), with the profit added remains at less than 10 %. The volume growth, nevertheless, attributes to the inbound express delivery with the outbound delivery unchanged. This indicates that private express companies must input more to respond to the market but gains far less than what they invests, which will eventually lead their development outlook to deteriorate supposed this trend remains unchanged.

35.3.2 Lack of Necessary Supports

Door-to-door swift service is the reason customers prefer to courier in most cases and should be facilitated by conveyances like mini cars, minivans, and light trucks for distribution, which are subject to restrictions in driving and parking in Kunming in working hours. So the pick-up and delivery of parcels have to be substituted by electrical vehicles, which cannot assure the transferring rapidness and safety and consequently lead to complaints. The government entity cannot provide the convenience and security to private express companies in this concern.

Besides, a more general issue related to the necessary supports relies on the difficulty in financing for private companies. Therefore, these private companies cannot get stronger over years with regard to capital investment. Some of them have to pursue for quick rich through irrational competitions by undercutting with the surrender of service quality, which will drag the whole industry into the downward spiral and eventually leave the market to competitors.

35.4 Lack of Qualified Professionals

Based on the two critical problems, private express companies, due to their weak profit-making and growing-up capability in a long term, cannot implement a systematical recruitment or human resource management to cultivate qualified professionals required. Obviously, the survivals of themselves easily defeat other cost-consuming programs in training and loyalty-keeping of qualified staffs and customers.

Mentioned above, the core of problems that impedes the development of private express companies is the inferior ability to make profits sustainable for the present and future. How to boost the earnings thereby represents the key to this quandary.

35.5 Approaches

In this part, we study how to tackle with the problems mentions above by global express giants from the perspectives of how to make access to target customers to realize higher profits and how to guarantee qualified services.

35.5.1 SCM Solutions

Obviously, none of the four express giants restricts himself as the sole delivery provider, but evolve to take part in the supply chain in the global market, which is integrated to a greater extend than ever before. Supply Chain Management (SCM) facilitates each aspect of transaction to the pinpoint, or just-in-time, which constitutes one of the core needs of what most transnational enterprises ask for, especially with the formation of world factory in China, where derives 80 % of international express demand. Who satisfy the potential customers indicates who could win the market, although it is not an easy case to tailor an efficient SCM solution to guarantee customers' requirements in the accuracy of delivery time and the security of parcels in transit.

In March 2004, timely delivery service in Shanghai was rendered by DHL, under which parcels would be distributed to the main cities in Asia before 9:00 a.m. or 12:00 at the next day since hand-over from customers. In April, express insurance against loss of or damage to goods in transit was presented by DHL accordingly, the sole provider of such value-added service in China. In the following May, DHL set foot in domestic parcels express, which implied that an integrated express solutions could access to transnational enterprises through DHL individual account, one bill and a hot-line, a simplified but an efficient and desired service, which tends to be the source of high profits in express industry.

35.5.2 Enhancement of Quality of Staffs

It is widely acknowledged that competition today in essence relies on competitions for talents in any business. Based on the essential cognition, all four express giants, without exception, take the personnel training as their regular and significant work to conduct, for they do believe it is the employees, those in express terminals in particular, contact customers new or established, in a face-to-face way, an approach to their target clients. So when facing with customers, personnel handles either parcels or delivers the image of companies at the same time, the latter, however, attracts greater concern for customers. The personnel training involves from the moral, manners of behavior and tone to even the walking rhythm, which constitutes a full

regular and decent set of conduct guide for staffs and represents good image to customers and leads to higher customers' loyalty and satisfaction.

Said above, in terms of how to generate higher profits and how to keep with the existing clients, four express giants choose the way that virtually conceives differently from the traditional logistics servicers. They accord their business with the market need in no time. Nevertheless, it must be admitted that the above idea cannot be accomplished to the desire until it would be supported by other facilities like advanced information system and business outlets, which are necessities to the whole operation. But all the differences attribute to the awareness of market.

35.6 Suggestions

In order to answer the most pressing issue the private express enterprises encounter with, we discuss the possible suggestions for their reference based on the above analysis.

35.6.1 Differentiated Market Positioning

Mentioned above, the international four express giants led by SCM look for their target customers across the world in conformity with the global market needs, which is testified as an efficient way to hold their clients for higher profits. The way they reveal for private express enterprises in Yunnan is how to discover customers valuable and then satisfy them from the perspective of SCM, or how to set a suitable position individually, instead of being an affiliate to others. The market share international express corporations hold till 2011, however, is approximately 80 % for international purposes and 30 % for domestic ones, remaining 20 and 70 % separately. Thus the majority market share (70 %) is occupied by domestic express enterprises, among which private express companies play out the utmost advantages over years. So the private express enterprises, to a great extent, should hold the domestic market well for better development, and those in Yunnan take no exception.

In Yunnan express market, for this concern, there are increasingly more potential customers to be explored. Since 2006, attraction investment was set as one of the governmental tasks for Kunming municipal government with the manufacturing projects as the priority and achieved fruitfully. And the investment projects operated have ranged from motor production to photoelectron industry, from daily essentials to high-tech products, covering all fundamentals for living and manufacturing. A great demand for express service derives from these newly established firms since the first day they operate, which requires tailored service for manufacturing connecting with their upstream and downstream clients successively, or virtually for some certain point in their supply chain. Private express

enterprises here should take the advantages of the policy of investment attraction to win over the domestic express market share by involving in the supply chains and putting forward SCM solutions individually.

35.6.2 Intensifying the Awareness of Serving

For engaging in the supply chains in each enterprise, service of good quality plays vital important role to achieve the success in SCM. Many approaches could contribute to it but the awareness of serving takes the first priority. Thus how to occupy and expand the market through winning loyal clients and how to enhance the efficiency attribute to how to implement the customers' satisfaction to the utmost manner. This is particularly important for private express enterprises since they are commonly either financial-weak and technological-backward, compared with foreign express companies or policy-supported as EMS. The only way out for them is to enhance the cognition of personnel's qualification and transferring customers in value-added services, which lead to internal training essential to this concern.

35.6.3 Joint Capital Accumulation

The private express enterprises in Yunnan are almost branches or subsidiaries of private couriers in eastern regions in China. Local private companies act as the affiliates to them, rendering marginal services over years. One of the reasons resulting in this fact ascribes to lack of financing, a critical prerequisite for growing-up. Under such circumstance, local private express companies could take the amalgamation as an alternative to service this purpose. In addition, to build up Yunnan-label brand in express industry also constitutes another concern to this general issue.

35.7 Summary

In short, busy but lower profit could only drag down a company in a long run, which is precisely the fact that private express enterprises in Yunnan suffer from now. From the study of how to make profit and how to retain sustainable earnings in global express giants, we could witness they turn to another direction by rendering SCM solutions to individual client, instead of delivery of parcels and improving the service qualities through training their employees rather than cutting down training budget. Although their success could not be realized from only above two conducts, they do take two of the key points to win the market. From

this perspective, private express enterprises in Yunnan can take for reference now to consider the way ahead. The most critical they need contemplate is the concept of real change, the transforming of idea for the changing market.

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