

Research on the Business Model of China's Third- Party Logistics Enterprises

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Abstract: With the development of the times and the rapid development of modern information technology, the logistics industry has risen rapidly. Especially in developed countries, modern logistics has become one of the emerging pillar industries. With the rise of the logistics industry, the role of third-party logistics has received more and more attention. Although the concept of third-party logistics has been put forward for only a few decades, it has rapidly become the main body of the logistics market, especially in the era of pursuing efficiency. Relevant survey data shows that 57% of the logistics volume in the United States is completed through third-party logistics, while in Japan, which has the best development in social distribution, the proportion of third-party logistics in the market is as high as 80%. This paper will study the business model of third-party logistics enterprises, and summarize the advantages and disadvantages of the existing third-party logistics enterprise business model, to develop strengths and circumvent weaknesses, and achieve improvement.

Keywords: Third Party Logistics, Management Model, Current Research

1. Introduction

The third-party logistics service mode is still in the development period since it was introduced to China. The degree of socialization and informatization is much lower than that of developed countries. [1] At the same time, there are more and more competitors and more confusion. At present, there are still some obstacles in the development of third-party logistics in China.

The main operation modes of third-party logistics enterprises in China have their advantages and disadvantages. This paper will combine the characteristics of these models and propose a new scheme.

2. Background

In the 1990s, the global market gradually formed, and the drawbacks of the "vertical integration" model became obvious: In this mode, the logistics business occupies various resources such as human, financial and material resources of the enterprise, which will lead to insufficient investment in the core business of the enterprise, thus leading to insufficient competitiveness. At the same time, if the business chain of the enterprise is too complicated, the market reaction of the enterprise will

not be sensitive enough. Each link is faced with huge pressure from competitors, and the enterprise cannot concentrate on developing its core business, resulting in insufficient core competitiveness.

In this context, the "horizontal integration" model of enterprises focusing on their advantages and resources to develop their own core business has emerged. It is to use the resources and advantages of other enterprises to complete their own non-core business. In order to achieve the goal of rapid response to market demand, reduce enterprise operating costs through cooperation and improve core competitiveness.

After the emergence of third-party logistics, the role of the production enterprises in reducing redundant business, reducing production costs, and improving the core competitiveness of enterprises reflects the necessity of third-party logistics and the scientific nature of "horizontal integration" thinking. At the same time, the third-party logistics enterprises contract warehousing logistics business, and the production enterprises can focus on their advantages to develop core business, so that both parties can achieve better development together, which is a win-win result.

3. Reasons for Rising

3.1. The Inevitable Result of The Social Division of Labor

With the rapid development of the times, the social division of labor has been further refined, information technology has become more mature, and at the same time, the difference of different customer needs has become increasingly obvious, all of which have further intensified the competition in the relevant markets[2]. To improve the core competitiveness of enterprises, more and more enterprises put more human, financial, and other resources into the core business, while the logistics business, as a non-core business, is subdivided into the specialized division of labor. This has brought the inevitability of the rise of third-party logistics.

3.2. The Current Situation of Self-operated Logistics of Enterprises is Severe

Some enterprises represented by Vipshop have a series of problems with their logistics. These problems force enterprises to change. Many enterprises change their thinking and gradually give up proprietary logistics and adjust their logistics strategy to third-party logistics [3].

3.3. The Impact of Globalization Trend

With the development of economic globalization, more and more enterprises without foreign sales channels are eager to join the international market. However, international third-party logistics enterprises have met the special needs of the enterprises and helped them expand their foreign markets.

3.4. Inevitable Demand for Efficient Development

With the rapid development of the overall economy and the continuous pursuit of high efficiency, more and more enterprises have generated more demands for efficient third-party logistics services.

3.5. The Result of Enterprise Virtualization

With the progress of information technology and the development and application of Internet technology, virtual companies and e-commerce have gradually become the most promising business model in the 21st century. However, for the development of virtual company business, third-party logistics enterprises are an indispensable part of success.

4. Analysis of Main Business Models

The traditional outsourcing logistics operation mode: This mode is that the third-party logistics enterprises independently contract part or all of the logistics business of one or more manufacturing enterprises or distributors. At present, most logistics businesses in China adopt this mode. This model is characterized by that the production and sales business is completed by both parties, and the third-party logistics enterprise only undertakes the logistics business and does not participate in the production and sales of the enterprise. Third-party logistics enterprises establish long-term and stable cooperation with customers in the form of contracts or contracts to provide customers with logistics services while ensuring their stable business volume and avoiding idle equipment. The advantage of this model is that it can focus on the production enterprises or dealers, and the third-party logistics enterprises do not need to add equipment or expand their business. At the same time, enterprises can reduce inventory through outsourcing. This operation mode has simple business processes and can save management and operation costs. The disadvantage lies in: the target customers are scattered and not fixed, the number of such models is the largest in the logistics market, and the market competition is fierce.

The strategic alliance logistics operation mode: The third-party logistics includes transportation, warehousing, information operators, etc., which form a strategic alliance in the form of contract, internal information sharing and exchange, and cooperation to form a third-party logistics network system. The advantage is that the collaboration within the alliance can reduce the intermediate formalities, improve efficiency, make the supply chain more smoothly connected, and greatly save transportation costs. Disadvantages: In this way, the members of the alliance are partners, implement independent accounting, and rent services from each other. Therefore, it is sometimes difficult to coordinate their interests. In the case of inconsistent interests, there are certain limitations to achieving a wider optimization of resources.

The centralized logistics mode: This mode mainly refers to that if third-party logistics enterprises providing specialized logistics services in a few industries. Third-party logistics enterprises, such as those in the transportation of railways, ship containers, and even automobiles, adopt this model. The advantage lies in that the third-party logistics enterprises with such operation modes have strong core competitiveness at a high level in their respective fields, and their professional service capabilities are very outstanding. At the same time, due to its strong professionalism, this kind of enterprise has a very high threshold for entry. Fewer enterprises are adopting this model, and there is little competitive pressure. Disadvantages: also because of its high access threshold, it needs to complete a lot of technical reserves in advance before entering the field. At the same time, this kind of business is difficult, expensive, and risky.

The comprehensive logistics operation mode: This mode is to set up a comprehensive logistics group, and use a large number of equipment resources owned by third-party logistics enterprises as the basis to create a logistics group and provide comprehensive logistics services. The advantage of this model is that compared with the centralized logistics model, it involves a wider range of industries, and integrates multiple functions and auxiliary functions such as warehousing, transportation, distribution, information processing, packaging, loading and unloading, circulation and processing, greatly expanding the service scope.

The functional agency mode: Such enterprises are third-party logistics enterprises with low asset specificity and high functional integration. The third-party logistics enterprises in this mode provide low integration services for customers in multiple industries. They provide services by entrusting others to operate. They do not invest in fixed assets. Their advantages are a strong ability to integrate social resources, less investment in fixed facilities and equipment, low cost, wide service range, and many types, so they have a big competitive advantage.

Gap logistics mode: The characteristics of the gap logistics model are that the third-party logistics enterprises have few or no fixed assets, and focus specific logistics services on specific customer layers with local markets as the object. This model is very suitable for some small and medium-sized logistics companies engaged in circulation business, especially some small logistics enterprises developed with e-commerce. Third-party logistics enterprises adopting gap logistics operation mode should give full play to their advantages in specific service areas, actively improve service levels, and realize the differentiation of logistics services and the minimization of costs.[4]

5. Existing Problems and Solutions

Problems such as imperfect business functions and service systems, shortage of talents, insufficient scale and backward technology still need to be solved.

To solve the above problems, the most important thing is to vigorously promote the establishment of a logistics information system.[5] After the establishment of a relatively complete logistics information system, third-party logistics enterprises do not invest in fixed assets but integrate social resources through strong information management capabilities and organizational coordination capabilities to provide highly integrated logistics services for enterprises in multiple industries. In the same way, because services need personalized customization and logistics enterprises have limited energy, such highly integrated services are difficult to operate on a large scale, and logistics enterprises without assets are more complex to operate. After the development of this model is mature, enterprises can choose to reduce the integration of services, and expand the forms and objects of services, thus expanding the scale of enterprises. After the enterprise scale reaches a certain level, Enterprises can further use the advantages brought by their scale, make use of their huge logistics network system, advanced logistics equipment, powerful information management capabilities, and high-level logistics service talents to improve service integration again, and provide highly integrated professional logistics services for customers of different types in multiple industries. As high-end logistics services involve the integration of several logistics functions of customers and even the whole supply chain, which requires personalized customization, third-party logistics enterprises have a deep degree of participation in customer operations, with a large investment[6]. Therefore, although it has a large number of assets, it is difficult to provide highly integrated logistics services for multiple industries at the same time. Therefore, the follow-up development process of this model may be more like an idealized, model-based result, which is also the development goal of the new third-party logistics service system established. In the process of development, if we can move in the direction of this model, we should strive to improve the degree of realism of this ideal model to a certain extent, to solve most problems of the existing third-party logistics enterprise development model, which is a very desirable result[7].

6. Conclusions

With the rapid development of China's economy and the gradual promotion of specialized division of labor, the importance of the logistics industry is increasingly highlighted. As the main link in the industrial supply chain, the logistics industry plays an important role in the development of the national economy, and third-party logistics gradually occupies the main position of the logistics industry in the process of development, its importance is self-evident. In the world, third-party logistics enterprises have begun to compete in the international market. As far as the existing domestic third-party logistics enterprises are concerned, these enterprises still face many common or personalized problems, and the competitiveness of the international market is still insufficient [8].

This paper starts from the background, takes the business model of the third-party logistics enterprises in China as the research object, and combines some theories of the third-party logistics enterprises' operation mode to study and analyze the operation model of the third-party logistics enterprises in China. And put forward new solutions and operation modes mainly based on existing problems.

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