A Study on the Current Status of China’s Courier Industry and the Strategy of Its Future Development

Shi-fen WANG
Shanghai University, No. 99 Shangda Road, Shanghai 200444, China

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Abstract. The courier industry in China has developed rapidly and became a “dark horse” of China’s economy. It plays an irreplaceable role in promoting China’s economic transformation, industrial restructuring and modern service industry development. The courier companies in China, mainly privately-owned, have experienced the constraints and bottlenecks in their development. These problems, together with the instinct problems of the private-owned courier companies, made it difficult for them to compete the multinational courier counterparts. In October 2015, the State Council announced Several Measures to Promote the Development of China’s Courier Industry, which brought the unprecedented opportunities to the development of China’s courier firms. To take the opportunity of the “One Belt, One Road” and the “outgoing” national strategy, China’s courier enterprises must accelerate the setup of modern courier enterprise system, painstakingly implement the brand strategy, strengthen the worker training, standardize the employing regulations, explore the overseas markets.

Introduction

With the rapid growth of China’s economy and e-commerce, the domestic courier industry gained fast development. In recent years, the number of courier companies and the volume of business increased dramatically, the level of services upgraded. It played a positive role in reducing circular cost, sustaining e-commerce, serving production and life, expanding employment channels. At the same time, the industry has coarse development, old infrastructure, hidden safety hazards, weak international competitiveness (The State Council, 2015). In order to modernize the management, the owners have to set up modern enterprise system, hire professional managers, perfect organizational institution, improve governance structure, strengthen internal control (Bingyi LI, 2015). The courier industry shall change its mind, improve the equity structure and perfect the governance structure through share reform, merger and reorganization. It shall promote the systematization and coordination based on standardization, automation, informatization and service (Linlin Zhu, 2014). The modern enterprise system of courier industry shall emphasize two regulations: to perfect various rules and imply them; to train and reserve the talented workers (Chunhua Wang, 2012). The courier firms shall expedite information shares among suppliers, sellers and logistic companies. The construction of the bridge among courier firms, customers, supply chains and internets can guarantee the interactions between logistics and cash flows (Li Tang, 2014). The government shall perfect the laws and regulations for courier industry, keep its order, strengthen market regulation and punish illegal behaviors (Sican Zhu, 2015). The policies shall support the firm to explore the cross-border courier market (Yong Xu, 2016).

The Status of the Courier Industry of China

China Post founded EMS (Express Mail Service) in 1980, which marked the beginning of courier industry in China. After China was adopted into WTO, the industry displayed an extraordinary growth. Now the private owned “Big Five”, together with foreign courier companies, lead China to become the second largest market in the world, next only to the U.S.

The “Dark Horse” of Chinese Economy

The rapid growth of the courier industry overcome some shortcomings of the traditional post service,
satisfied the public demand for swift and efficient service. The quick development of e-commerce, brought up the number of courier companies, the business scope and service area continuously. It became an important industry in China’s economy. According to the data released by the Association of Courier Industry of China, the annual growth during the 12th Five-year Plan was 54.6%. In 2015 the volume of handling was 20.6 billion parcels, an increase of 48% year on year. Business income was 276 billion yuan, an increase of 35%. The highest daily handling was more than 160 million parcels. In the first quarter of 2016, courier industry showed an outstanding performance in spite of the increasing pressure of economic recession. The volume of handling was 5.77 billion parcels, an increase of 56.4% year on year, business income being 77.31 billion yuan, year on year increase of 42.1%.

The Promotion of the Integration of Urban and Rural Areas

With the help of e-commerce, the courier industry penetrated into the inland rural area, which was the main target of the business expansion. Data showed that in 2015 the trade through internet in rural area topped 353 billion yuan, an annual increase of 96%. It has become an important engine for rural economy. In 2015 the volume of handling in rural area was 5 billion parcels, carrying 50 billion yuan agricultural products into cities, and 250 billion yuan industrial products into countryside. Take Shunfeng as an example, up to 2015, it has established 2,515 service outlets in counties and 17,989 outlets in towns over the nation, rates of coverage being 88% and 43% respectively.

Foreign Couriers Develop Fast in China

Foreign courier firms expanded their business in China after it was adopted into WTO in 2001. Now, the Big Four (DHL, FedEx, UPS and TNT) enjoyed 80% market share of the international courier business in China. DHL is the fourth largest courier firm in the world and the biggest joint-venture courier network in China, which included 82 firms and 7,100 workers. Its service reaches 401 cities, covering 95% population. FedEx is the second largest courier company in the world, also the second to enter Chinese market. At present, it has 58 branches and 8,000 workers in China. UPS is the third largest courier company in the world. As early as 1988 it started its business through its agreement with Sino-trans. Now it has more than 4,000 workers in 45 service areas which cover more than 330 cities in China. Every week there are some 200 flights to link China with the world. TNT is the world’s fifth largest courier company. Its Chinese branch was established in 1988, offering international courier and domestic land express service. In international service, it has 34 branches and 3 express ports. In domestic land express, it operates the farthest stretched road courier network through its wholly owned subsidiary TNT-Huayu, which possesses 56 transshipment hubs and 1260 outlets. Its service covers more than 500 cities.

“Internet+” Promotes the Development of Courier Industry

Since the “Twelfth Five-year Plan”, e-commerce propelled the extraordinary growth of courier industry. The mode of operation was innovated incessantly, and its service ability was promoted substantially. According to the Internet Information Center of China, the online retail sales in the first half of 2015 reached 3877.3 billion yuan, an increase of 33.3% year-in-year, among which the goods sales was 3242.4 billion yuan, increasing 31.6%, 10.8% of the total retail consumption of the nation; the online non-goods sales was 634.9 billion yuan, increasing 42.4%. More than 70% of online purchase was delivered through courier. Data showed that the courier business by online purchase occupied 80% of the business of mid to small private courier companies, and 50% of the business of big private courier companies like the “Big Five”. The combination of courier and e-commerce companies helped the industry to share the informatization of the whole supply chain. What’s more, courier firms can improve the investment and technology to satisfy the demand of the consumers to realize the synthesis of capital and shipping capacity.

The Overall Service Received Welcome from the Consumers

At present, to cater for the consumers’ demand for swift and safe delivery, the big courier
companies in China bought special trucks of various sizes for different purposes to transporte and distribute goods. Yuantong rented 15 planes from Boeing Company to become the third logistics company that possessed an aviation company after Shunfeng and EMS. By the end of 2015, its air transportation has reached 93 airports, with 773 airlines covering 103 cities. Yuantong possessed big warehouses, information centers, control centers, customer service centers and truck parks that were equipped with advanced communication network. These can basically meet the personalized and specialized demand, and guarantee the safety of the express delivery.

In addition, courier companies also provide the customers with fast and convenient self services and express parcel tracing. The call center of Shunfeng uses the comprehensive information service system CTI.

The Problems of Chinese Courier Industry

Lack of Modern Enterprise System and Standard Management

In time of fast development, many courier companies, which are managed by families, haven’t set up modern management system, nor the structure of legal governance. This leads directly to such misdeeds as bad attitude, overchange, parcel losses and consumer information leakage. The increasing complaints, high cost and low profit become the bottlenecks for the industry. The reason for the problem is that the mushrooming courier companies operate separately. They don’t have a set of distinct franchising system which manages all the outlets.

Disorderly Competition or Weak Legal Awareness

The history of China’s courier industry is short so that there is not a standard for the industry, nor the long-run development plan or regulation by the government. Some courier firms expand quickly for the hope of grasping maximum profit, which causes the disorderly competition in the market that squeezes the profit of the industry. On the other hand, the failure to provide high quality service leads to the decrease of trust by the consumers. Some workers have weak legal awareness so that they carry out such illegal behaviors as intentional damage and running away with business income.

Old Service Means and Poor Labor Quality

The technology and equipments of China’s courier industry are old. Many manual and semi-auto handlings result in slow delivery and many mistakes, and are unable to cope with the sudden increase of business. In 2015 the industry in China used 2.96 billion woven bags, 8.26 billion plastic bags, 9.9 billion cartons and 2.97 billion cushions. If one parcel used one meter adhesive tape, the tapes used in one year could circle the earth for 400 rounds. Most of the packing materials cannot be degraded. In dealing with the courier package trash crisis, the experiences of Germany, Japan and Korea can be referred to. They made laws to clarify liabilities in recycling packing trashes and set the specifications of packing.

The rapid expansion of courier industry needs many labors in short time, lowering the quality of employees. To save costs, most firms are unwilling to spend money on workers’ training. The efficiency and quality of the service cannot be guaranteed.

Measures and Proposals to expedite the Development of China’s Courier Industry

In October 2015, the State Council issued Some Measures to Promote the Development of China’s Courier Industry (hereafter to be referred to as “the Measures”), which clarified four contents, five tasks and six measures for the development of the industry.

The Firms Shall Be Self-disciplined and Set Up Modern Entrepreneur System.

“The Measures” is the favorable policy to the courier industry. The courier firms shall grasp the golden chance to establish modern entrepreneur system, promote the quality of service. They shall perfect the share structure and governance through merger & acquisition and IPO. They shall merger small firms to optimize resources, and unite the peers so as to increase overall
competitiveness. They shall set up safety and service standards, pay attention to integrity service to decrease the rates of delay, damage and losses. They shall abide by the laws and rules to strictly regulate their own behaviors and protect the privacy of the consumers.

The Firms Shall Participate Fair Competition and Stage Brand Strategy

Brand is the core competitive resource of a firm, which, together with other capabilities, can generate the sustainable competitiveness. In order to implement the brand strategy, courier firms shall take use of mobile internet and big data to optimize the service network and promote the efficiency. The firms shall speed up transforming to comprehensive logistic companies by changing from price competition to service competition—to offer humanized, individual, timely and safe services. The firms shall set up good images by protecting information safety and privacy of the customers.

The Firms Shall Strengthen the Training of Workers to Upgrade Their Quality

Courier is a face-to-face service, the quality of the workers directly influences the performance and future development of the firms. There are 4 things to do to overcome the bottleneck of worker quality: First, the government and industry union shall set up the system and mechanism for worker training. The effect of training shall be included in assessment. Second, the firms shall implement the labor quality promotion project, lower the density of work, increase payments and social welfare. Third, the firms shall link the feedback of the consumers with the income to tap the incentives of the workers to decrease the rates of delay, damage, loss and complaint. Fourth, for important posts, the firms shall recruit universities graduates.

The Firms Shall Explore the Foreign Market with the Chance of “One Road & One Belt”

With the strong growth of e-commerce and the implementation of the “One Road & One Belt” Strategy, the courier industry meet the golden chance to explore the foreign market. Although the industry still lags behind that in the developed countries, it has developed the unique business model and accumulated experience. First, the firms shall enhance their cooperation with the e-commerce companies to make use of information platform to develop the cross-border service. They can establish courier centers in key foreign cities. Second, unlike post, the courier companies receive different regulations and entry requirements in different countries. Chinese firms shall study the laws and rules in various countries, learn from the successful overseas experience of Shunfeng, cooperate with foreign partners. Third, the firms shall refer to the experience of foreign companies operating in China to grasp market share in other countries.

References


