

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**THE CURRENT SITUATION CHINESE  
THIRD-PARTY LOGISTICS COMPANIES ARE FACING  
--- AN EXPLORATORY STUDY**

112. 889 (120 credits) thesis presented in  
partial fulfilment of the requirements for the degree of

**Master of Applied Science (MApplSc)**  
in Logistics and Supply Chain Management

at Massey University,  
Auckland, New Zealand

Yongli Liu

2008

## **ABSTRACT**

The fast development of the Chinese economy has brought tremendous impact on the growth of logistics industry in the country. China has become the hottest market for both Chinese and foreign third-party logistics companies (3PL providers), and more and more foreign and domestic 3PL providers are being involved in the Chinese logistics industry. To understand the current situation Chinese third-party logistics companies are facing and the competitive strategies they are pursuing, an exploratory investigation was conducted in the study.

A multiple case-study approach was adopted as the main strategy and guidance for the study. Under the principle of multiple case studies, multiple instruments (questionnaire, telephone interviews and archive searching) were used in the data collection among three selected case study companies. Also, within-case analysis and cross-case analysis were chosen as the overall framework of data analysis, and content analysis was selected as the main method for qualitative data analysis.

Through investigating a variety of aspects of the three case study 3PL companies, the study has identified that all the case study companies have established country-wide logistics networks, have provided customers a range of logistics services, and have adopted different information technology systems in their operations. All the case study companies have achieved constant increase in their sales in recent years.

Generally, the competition in the Chinese 3PL industry is fierce, and sometimes chaotic, unfair, and even illegal. Foreign 3PL providers have been considered as major competitor by Chinese 3PL providers. All the case study companies have developed and pursued a number of competitive strategies to gain competitive advantages in both cost and service. The main competitive strategies addressed include distribution network developing strategy, information technological strategy, and long-term partnership strategy.

## ACKNOWLEDGMENTS

In conducting this study and preparing this thesis I have been helped significantly by many people, without their supports this research project could not be accomplished.

Firstly, I would like to thank my supervisor, Dr. Norman Marr for his academic supervision through the entire study process. His professional guidance eases the challenges of the research and leads the study going smoothly to its final place. Also, his patience in coping with a foreign student would be the great encouragement to me. I am very much appreciated to all the efforts and time he has put in this study. Thank you!

I would like to acknowledge the support from Alan Win, the lecturer in Logistics & SCM. His encouragement has accompanied me throughout not only this study project but also the two years' postgraduate study. Thank you for helping me in kick-starting this project and coordinating during the study process. I am indeed grateful.

Thank you to all the participants in this study, these very busy business managers, for their generous time and experience contribution to the study. Their contribution ensures the overall achievement of the project.

Finally, I would like to thank my family. My parents, although they are in China, they have been encouraging me all the time throughout the postgraduate study. My wife Jing has given me her support in taking care of the family and in the thesis preparation. Also my son Alex has assisted me with his computer skills in the thesis presentation.

# TABLE OF CONTENTS

<b>ABSTRACT</b> .....	ii
<b>ACKNOWLEDGMENTS</b> .....	iii
<b>TABLE OF CONTENTS</b> .....	iv
<b>LIST OF TABLES</b> .....	viii
<b>LIST OF FIGURES</b> .....	viii
<b>CHAPTER 1: INTRODUCTION</b> .....	1
1.1 INTRODUCTION.....	1
1.2 LOGISTICS IN CHINA .....	1
1.3 RESEARCH PROBLEM GENERATION .....	5
1.4 RESEARCH OBJECTIVES AND QUESTIONS .....	6
1.5 THESIS OUTLINE .....	7
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	9
2.1 INTRODUCTION .....	9
2.2 LOGISTICS .....	10
2.2.1 Define Logistics Management .....	10
2.2.2 Objectives of Logistics Management .....	14
2.3 LOGISTICS AND CUSTOMER SERVICE .....	15
2.4 LOGISTICS AND COMPETITIVE ADVANTAGES .....	18
2.5 THIRD-PARTY LOGISTICS (3PL) .....	23
2.5.1 Define third-party logistics .....	23
2.5.2 Drivers for 3PL Usage .....	26
2.5.3 Drivers against 3PL Usage .....	30
2.5.4 Elements for Successful 3PL Relationships .....	34

2.6 THIRD-PARTY LOGISTICS IN CHINA .....	38
2.6.1 Challenges in Chinese 3PL industry .....	39
2.6.2 Opportunities in Chinese 3PL Industry .....	43
2.7 SUMMARY.....	46
<b>CHAPTER 3: RESEACH DESIGN AND METHOD .....</b>	<b>47</b>
3.1 INTRODUCTION .....	47
3.2 RESEARCH PARADIGM .....	47
3.3 METHODOLOGY .....	49
3.3.1 Case Study Strategy .....	49
3.3.2 Multiple Case Study Selection .....	51
3.4 DATA COLLECTION .....	53
3.4.1 Questionnaire .....	55
3.4.2 Interview .....	56
3.4.3 Archive Searching for Secondary Data .....	58
3.5 DATA ANALYSIS .....	59
3.5.1 Within-case and Cross-case Analysis .....	59
3.5.2 Content Analysis .....	60
3.6 RELIABILITY AND VALIDITY .....	62
3.6.1 Construct Validity .....	63
3.6.2 External Validity .....	64
3.6.3 Reliability .....	64
3.7 ETHICAL ISSUES .....	65
<b>CHAPTER 4: WITHIN-CASE STUDIES .....</b>	<b>67</b>
4.1 INTRODUCTION .....	67
4.2 TOTAL LOGISTICS (SHENZHEN) CO. LTD .....	68
4.2.1 Current State.....	68
4.2.2 Competitive Situation.....	72
4.2.3 Strategy Review.....	76

4.3 GONGSUDA LOGISTICS (SHENZHEN) CO., LTD .....	84
4.3.1 Current State .....	84
4.3.2 Competitive Situation .....	88
4.3.3 Strategy Review .....	90
4.4 P.G. LOGISTICS GROUP CO., LTD.....	97
4.4.1 Current State .....	97
4.4.2 Competitive Situation .....	100
4.4.3 Strategy Review .....	103
<b>CHAPTER 5: CROSS-CASE DISCUSSION .....</b>	<b>111</b>
5.1 INTRODUCTION .....	111
5.2 CURRENT STATE .....	111
5.2.1 Companies' Overview .....	111
5.2.2 Physical Distribution Networks .....	112
5.2.3 Service Provided .....	113
5.2.4 Information Technology System .....	114
5.2.5 Business Trend .....	115
5.2.6 Customer and Contract .....	116
5.3 COMPETITIVE SITUATION .....	118
5.3.1 Competition .....	118
5.3.2 Competitors .....	119
5.3.3 SWOT Analysis .....	121
5.4 STRATEGY REVIEW .....	122
5.4.1 Competitive Strategy .....	122
5.4.2 Physical Distribution Network Development .....	125
5.4.3 Information Technology (IT) System Development .....	129
5.4.4 Customer Relationships .....	130
<b>CHAPTER 6: CONCLUSIONS .....</b>	<b>134</b>
6.1 INTRODUCTION.....	134

6.2 OBJECTIVES OF THE RESEARCH .....	134
6.3 CONCLUSIONS .....	134
6.3.1 Current Situations of Chinese 3PLs.....	134
6.3.2 Competitive Strategies Pursued By Chinese 3PLs.....	137
6.4 LIMITATIONS OF THIS STUDY .....	139
6.4 FUTURE RESEARCH .....	140
<b>REFERENCES .....</b>	<b>142</b>
<b>APPENDICES .....</b>	<b>152</b>
APPENDIX 1 Determinants of successful third-party relationships.....	152
APPENDIX 2 Questionnaire .....	154
APPENDIX 3 Introductory letter .....	161
APPENDIX 4 Questions for interview .....	162



## **LIST OF TABLES**

Table 2.1 The two different approaches to gain competitive advantages .....	20
Table 2.2 Continuing problems with 3PL providers as reported by customers .....	33
Table 3.1 Features of the two main paradigms .....	48
Table 3.2 Case study Tactics for Four Design tests .....	63
Table 4.1 SWOT analysis of Total Logistics .....	75
Table 4.2 SWOT analysis of Gongsuda Logistics .....	90
Table 4.3: SWOT analysis of P. G. Logistics .....	103
Table 5.1 SWOT analysis summary of all the case study companies .....	122

## **LIST OF FIGURES**

Figure 2.1 Competitive advantage and the ‘Three Cs’ .....	21
Figure 2.2 Logistics and competitive advantage .....	22
Figure 2.3 U.S. 3PL Market 1996 to 2006 .....	27
Figure 2.4 Contract logistics: Market size and forecasts, 2003 – 2007 .....	43
Figure 4.1 The distribution of Total Logistics branches .....	69
Figure 4.2 Recent three years’ turnovers of Total Logistics .....	71
Figure 4.3 The network of Gongsuda Logistics .....	85
Figure 4.4 Recent three years’ turnovers of Gongsuda Logistics .....	87
Figure 4.5 The network of P. G. Logistics .....	98
Figure 4.6 Recent three years’ turnovers of P. G. logistics .....	99
Figure 5.1 Recent three years’ turnovers of the three case study companies .....	116