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WORLD MARITIME UNIVERSITY

Shanghai, China

**STRATEGY RESEARCH ON THE PROBLEMS OF
NEWLANDOCEAN LOGISTICS COMPANY**

By

LIU LU BIN

China

A research paper submitted to the World Maritime University in partial

Fulfillment of the requirements for the award of the degree of

MASTER OF SCIENCE

INTERNATIONAL TRANSPORT AND LOGISTICS

2009

DECLARATION

I certify that all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the University.

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ABSTRACT

Title of Dissertation: Strategy Research on the Problems of NewLandOcean Logistics Company

Degree: Master of Science in International Transport and Logistics

Abstract: With the full open of the logistics market, its competition will become increasingly fierce, the various traditional logistics enterprises are facing the pattern of re-shuffling, the traditional logistics enterprises transform themselves toward the modern logistics enterprises. This paper talks about the Newlandocean logistics company's condition. According to the thinking of finding problem, analyzing the problem and then resolving the problem, it firstly analyzed the outside environment from the perspective of macro environment and industry environment. And on the base of researching its sources abilities and internal conditions seriously, it analyzed the problems existing on the aspects of management strategy, organization structure, competition, business pattern and puzzle Dom that enterprise is facing. Then the article pointed out the key method can solve the problem of company's development. After that it made a feasibility analysis and brought up relevant solutions.

This article is based on the layout's maneuver ability. It planed and expatiated logistics business innovation and re-construction through research of enterprise logistics strategy, logistics models, logistics actualization. All this efforts are in order to let the company make the right decision during the opportunity and implement effectively. Help the company to pass the difficult period.

KEYWORDS: Logistics, strategy, SWOT

TABLE OF CONTENTS

| | |
|--|------|
| DECLARATION | ii |
| ACKNOWLEDGEMENT | iii |
| ABSTRACT | iv |
| TABLE OF CONTENTS | v |
| LIST OF TABLES | viii |
| LIST OF FIGURES | ix |
| LIST OF ABBREVIATIONS | x |
| Chapter One Introduction | 1 |
| 1.1 Object of Study of this Text | 1 |
| 1.2 Topic Selecting Background | 2 |
| 1.3 Research Meaning of the Thesis | 3 |
| 1.4 Research Current Situation | 4 |
| 1.5 Main Content and Research Idea of this Thesis | 9 |
| Chapter Two The Current Situation and Problem of the Company | 10 |
| 2.1 Introduction to the Company | 10 |
| 2.1.1 Current Structural Diagram of the Company | 10 |
| 2.1.2 Primary Service of the Company | 12 |
| 2.2 Current Situation of the Company | 14 |
| 2.3 Existing Problems of the Company | 15 |
| Chapter Three External Environment Analysis of Newlandocean | 17 |
| 3.1 Analysis on Macro Environment | 17 |
| 3.1.1 Policy and Legal Environment Analysis | 17 |
| 3.1.2 Analysis on Economic Environment | 20 |
| 3.1.3 Analysis on Social Culture Environment | 23 |
| 3.2 Structural Analysis on Industry Competition of the Company | 24 |

| | |
|---|----|
| 3.2.1 Threaten from Existing Competitors..... | 25 |
| 3.2.2 Threaten from Newcomers | 28 |
| 3.2.3 Threaten from Buyers..... | 28 |
| 3.2.4 Threaten from Suppliers | 29 |
| 3.2.5 Threat from Substitute | 29 |
| 3.3 EFE Matrix Analysis of External Environment of the Company | 30 |
| Chapter Four Internal Environment Analysis of Newlandocean Company | 32 |
| 4.1 Analysis on Internal Environment..... | 32 |
| 4.1.1 Inner Management Analysis of the Company | 32 |
| 4.1.2 Human Resources Analysis of the Company | 33 |
| 4.1.3 Enterprise Culture Analysis of the Company | 35 |
| 4.1.4 Individual Service Analysis of the Company | 35 |
| 4.3 SWOT Analysis..... | 38 |
| 4.3.1 SO Strategy | 38 |
| 4.3.2 WO Strategy..... | 40 |
| 4.3.3 Strategy | 42 |
| 4.3.4 WT Strategy | 42 |
| Chapter Five Strategic Choice of the Company | 44 |
| 5.1 Total Strategy Choice of the Company | 44 |
| 5.2 Principle for Strategy Choice..... | 45 |
| 5.3 Strategy chosen by the Company | 45 |
| Chapter Six Strategic Measure of Newlandocean..... | 47 |
| 6.1 Perfect the Developing Management of Human Resources..... | 48 |
| 6.1.1 Plan Human Resources Well..... | 48 |
| 6.1.2 Building up Reasonable Human Resources Structure | 48 |
| 6.1.3 Bettering Human Resources Training | 49 |
| 6.1.4 Building Scientific Achievement Examination System | 50 |

| | |
|--|----|
| 6.1.5 Building Scientific and Reasonable Employing System..... | 51 |
| 6.1.6 Building Fair and Just Competing System..... | 51 |
| 6.2 Bettering Enterprise Culture Building..... | 52 |
| 6.3 Better Logistics Ally..... | 53 |
| Chapter Seven Conclusion..... | 55 |
| Reference | 57 |

LIST OF TABLES

| | |
|---|----|
| Table 1The Advantage and Disadvantage on the Different of Logistics Company ... | 27 |
| Table 2 EFE Matrix of Newlandocean Company | 30 |
| Table 3The Structure of People in Newlandocean | 33 |
| Table 4Matrix of Newlandocean Company | 36 |
| Table 5 SWOT Analysis | 38 |

LIST OF FIGURES

| | |
|---|----|
| Figure 1 Current Structural Diagram of the Company | 11 |
| Figure 2 Information of external environment influencing factors..... | 17 |
| Figure 3 Porter five-force mode..... | 25 |

LIST OF ABBREVIATIONS

| | |
|------|---|
| EFE | External Factor Evaluation |
| SWOT | Strength, Weakness, Opportunity and Threa |

Chapter One Introduction

Logistics is the planning, implementing and controlling process of deliver and warehousing the commodities and the relevant information from the place of production to consumption place in high efficiency and low cost in respond to the need of the customers. The mission of logistics is to deliver the correct commodity or service to the right address on time in good condition and to contribute most to the enterprise. Like the artery of the human, logistics conveys nutrition and metabolize rubbish. Only to have free-flowing, quick, prompt and economic logically socialization and professional logistics website do the entire social production life go on well. Facing economic globalization and the overall open after joining WTO, we are urgent to develop the modern logistics industry, which is significant for improving the economy quality and benefit, optimize allocation of resources, better the investment environment, intensify the comprehensive national strength and enterprise competitiveness.

1.1 Object of Study of this Text

The text studies on Newlandocean Logistics Company in Shenzhen. The company, bases upon Shenzhen, covers business in South China, is a medium-small size three-party logistics company. It is a multi-functional Shenzhen-centered service company that specializes in logistics and integrates of highway, air-way, shipping, warehousing and other three-dimensional transport modes. What the text focuses on are the problems that the company encounters in its development process. The text systematically analyses the existing problems and the solutions for development of companies like Newlandocean basing on the domestic and overseas logistics related theories through taking Newlandoceas as an example.

1.2 Topic Selecting Background

The subdivision of labor in society separates the logistics from manufacturing enterprises, thus the third-party logistics enterprise specializing in logistics service comes into being. Being new logistics management concept and method, the essence of third-party logistics enterprise is to operate and manage the low-level logistics resources to service the customers. The third-party logistics enterprise is from the higher-level professional sub-division of labor. Such enterprise has more abundant meaning. First of all, the third-party logistics enterprise is to build up allied relationship that sharing honor or disgrace between the logistics enterprise and the customers basing on its individual service. The scientificity of third-party logistics lies in that it abundantly shows the fair principle of sub-division of labor. The enterprise provides personalized service to logistics needed enterprises basing on the professional advantage of third-party, namely, to provide specific service in line with individual business nature to the special customers. Such companies change the relationship between the logistics enterprises and the customers from ;one-to-many; to ;one-to-one;. The logistics relies on the customer enterprises and the customer enterprise regards the logistics enterprise as rear service enterprise. Without any party, the enterprise can not work normally, or even, can not survive. The new enterprise operation concept that the third-party logistics enterprise brought and the ;mutual benefit; operation idea co-form the common-development mode of the company. Such enterprise is in line with the social economy development rule. Logistics industry has become the third interest resources that the enterprises search for. The modern logistics, which has become the third interest resources of productive distribution enterprise, composes of the basic activities of enterprise value chain. Besides, it is what the enterprise relies on to gain competitive advantage. With the opening-up economy development of our nation, our economy gradually

integrates with that of the international. Idea on logistics is totally different from the former [production important, circulating unimportant]. Chinese manufacturing enterprises also come to realize that third-party logistics enterprise means a lot for them to gain benefit. Moreover, governments of all levels pay much attention to logistics industry, having taken many measures that are good for logistics development, thus the logistics related industry develops speedily.

1.3 Research Meaning of the Thesis

In the current marketing environment, Newlandocean Company may fall behind if not to advance. The company faces lots of opportunities and challenges due to the up-coming of foreign invested logistics companies and rapid development of local logistics companies. Meanwhile, it is time that the inner problems and internal contradictions appear most obviously. Newlandocean is a private logistics enterprise that has been developing for years and has some advanced enterprise operation concept and management methods. However, the employees change their concept quite slowly, the marketing methods are in lack, the customer relationship management and the enterprise control cost are not enough, and the company is managed in the old-type family type management mode, all these make the problems, such as the limited business scope, unreasonably organized structure, low-level service and so forth going on. It will be of great difficulty to develop the company if the above mentioned problems are not to be solved well.

Through the research of the development strategy of Newlandocean, this thesis is to help the high class leaders of the company know well of the current situation and development environment of the company and make clear the development direction and strategic measures of the company in accordance with the actual situation of the company and the current situation of the logistics industry development and the development strategic goal of Newlandocean. Besides, the thesis also aims at raise

the competitive ability of Newlandocean, successfully bring forth new market, smoothly realize the total development strategy of the company and provide suggestion for the long-range development goal of the company, thus to raise the operation level of Newlandocean up to the marketing development requirements.

1.4 Research Current Situation

The modern third-party logistics industry has existed for about 10-15 years. In USA, third-party logistics is thought to be in the development period of product life cycle; in Europe, especially in England and German, third-party logistics is generally thought to be of some certain mature.

1. Definition of Third-party Logistics

(1) General Definition of Third-party Logistics

Third-party logistics enterprise is provider of external service of all or part of enterprise logistics. Take commodity trade as reference frame, third-party logistics is logistics service provided by a third party beyond the buyer and the seller. The definition lists the traditional transport company, warehousing enterprise, customs declaration and other single service provider into the scope of third-party logistics. According to the definition, the international express and express delivery achievers, such as UPS, FEDEX, DHL, as well as the domestic Cosco, China Shipping, Sinotrans and so on are third-party logistics facilitators.

(2) Narrowed Definition of Third-party Logistics

In narrowed meaning, it is mainly defined that third-party logistics is the third party beyond contract logistics, integration logistics and the buyer and the seller.

(3) Chinese Definition on Third-party Logistics

In accordance with international *Logistics Terms* posted by China in 2001, third-party logistics is defined as the business model that the logistics activities are

provided by a third party logistics enterprise beyond the seller and the buyer.

2. Benefit that Third-party Logistics Brings to the Enterprise

To raise the definition of third-party logistics is to be regarded as the revolution of logistics industry. Compared with many traditional logistics, third-party logistics have many uncomparable advantages as follows.

(1) Third-party Logistics can Help Reduce Cost

Third-party logistics can enable enterprises not to equip the warehouse, vehicle or other logistics facilities any longer. Investment on logistics systems can be transferred to the third-party logistics enterprises, thus to reduce the operation logistics cost. Payload can also be lower since fewer logistics personnel are to be engaged. Warehousing cost is to be reduced too. Besides, transport efficiency can be largely raised through the dispatching of third-party logistics enterprise, and the transport is to be reduced thereby. In a word, using third-party logistics can help reduce the cost of the enterprise.

(2) Third-party Logistics can Help Raise Service Level and Quality of the Enterprise

The service level and quality are what that decides whether the enterprise is going to success or not. The information network of third-party logistics enterprise can speed-up the responding ability to customer ordering, accelerate order dealing, shorten the time from ordering to delivering and raise the satisfaction degree of customers. Moreover, the after-sales service, home-delivery service, return handling, waste recovery and so forth can also be completed by third-party logistics enterprise, who guarantees to provide stable and reliable high quality service.

(3) Third-party Logistics can Help Reduce Risk

The enterprise, self-runs logistics, is exposed to the investment risk and inventory risk. Such risks are transferred to the logistics companies if it enjoys service from third-party logistics enterprises. An enterprise must store a lot in order to respond

well to the order, guard against out-of-stock and deliver goods speedily. Large-amount inventory not only ties up lots of fund but also makes the enterprise face the risk of devaluation. The dispatching of third-party logistics enterprise speeds up the flowing of inventory and reduces the inventory amount. Therefore, it helps lower the inventory risk.

(4) Third-party Logistics can Help Raise Enterprise Competitive Power

The enterprise production operation activities have become more and more complicated due to change of external market environment. The enterprise not only has to work hard on production operation, but also has to deal with the complicated interpersonal relationship. The enterprise, uses the service from third-party logistics, can be free from directly contact with so many customers. To simplify the relation net can help the enterprise put more effort to the production operation.

3. Current Situation of Overseas Third-party Logistics

In developed countries, the definition and practicing of third-party logistics origin from the occident, then to Japan. Third-party logistics became popular in late 80s.

Third-party logistics in western developed mainly have the following features:

- (1) It is the outcome of development of logistics business. For better development, the big companies have to mainly focus on the core business and transfer the steps of transport, warehousing and so on to the professional third-party logistics enterprise for sake of high-efficiency and saving.
- (2) The logistics facilities are highly of modernization, normalization, socialization and systematization. Third-party logistics tend to develop basing on IT value added service.
- (3) Logistics industry develops very fast. The industry can be developed substantially and will have a better future.

4. Logistics Development Situation of Chinese Third-party Logistics

The rising of third-party logistics in our country is hard-earned. As we all know, logistics began in China in 20s of 20th century. In medium term of 90s of 20th century, the notion of third-party logistics began to spread in China. The logistics theory, including the third-party logistics theory, had developed for a long term. Third-party logistics develops rapidly in our country. At present, there are some major factors advancing the third-party logistics in our nation. Firstly, multinational enterprises hand the business in China to Chinese logistics companies and reduce the logistics cost through out-contracting. Secondly, Chinese companies face the problem of how to reduce the cost and how to raise the enterprise core competitive ability, and they have to out-contract the logistics. Thirdly, the supportive policy from the government helps develop the third-party logistics rapidly in China. In the past three years, 70% of the logistics service suppliers have achieved a 30% progress on annual business. The raw materials through customer-out-contracting by third-party logistics, which now accounts for 15%, will rise up to 35% in three years. Products sales of manufacturers, which is now a little higher than 45%, will rise up to 80% in three years. The out-contracting of retailers logistics will rise from the nearly 25% to nearly 65%. Therefore, there is great potential for third-party logistics in China. Currently, there are several types of third-party logistics enterprises in our nation as follows.

First type: transformed from traditional transport company, consignee company, warehousing company and shipping company to be modern logistics company.

Second type: branches of multinational logistics companies. Now, Maersk, DHL, UPS, TNT, Sagawa and so forth have set headquarters in China.

Third type: new private logistics enterprises that run flexibly, such as P.G. Logistics, Yuancheng Logistics, Ant Logistics, PGY Logistics and so on.

Fourth type: Logistics subsidiary companies attached to domestic large-scale

manufacture, production and retailing companies, such as, Haier, Hua Supermarket, Keer Logistics and so on.

Generally speaking, third-party logistics just took its first step in China. Compared with logistics enterprises of developed countries, it still has a long way to go in China. For example, currently, most of the logistics companies in China mainly provide transport service, warehousing service and so on, they are not so good at providing logistics information, inventory management, flowing processing, logistics program design and other value-added service. We are in lack of necessary logistics information system, advanced logistics equipment, logistics management experience and good technique.

Presently, third-party logistics companies in our country mainly face the following problems.

1. Domestic enterprises do not demand much third-party logistic service. In order not to leak the business secret, most of the enterprises still get used to undertaking the logistics activities by self. Now the demand mainly come from foreign invested enterprises and branches of hi-tech enterprises.
2. Judging from the service scope and functions, third-party logistics enterprises of our country still mainly focus on transport, warehousing and so on, and they are weak in processing, made-to-order and other value added services.
3. The integrated enterprise is quite small. It is hard to integrate the resources and achieve scale benefit.
4. Logistics channels are not so smooth. Sincere cooperation is in lack among third-party enterprises and between third-party enterprises and customers.
5. Logistics high grade management talents are short of and logistics legal policy is not complete.
6. Logistics technique and facilities are backward and not good at management.

Enterprises of the industry do not cooperate well. They may process bad price competition and the operation cost is quite high.

1.5 Main Content and Research Idea of this Thesis

The main content of the thesis is as follows:

The first chapter gives an introduction, introducing the research direction and background and briefly introducing the current situation of related theory research and development situation in and out of China.

The second chapter describes the current situation and existing problems of Newlandocean, showing the current situation of third-party logistics enterprises under such good trend that total logistics develops rapidly through analyzing the development process and problems of Newlandocean Company.

The third chapter relates to the internal and external environment of Newlandocean, analyzing the advantages and disadvantages of macro environment and industrial competition environment of Newlandocean Company by using PEST analysis method, EFE matrix analysis and so on.

The fourth chapter relates to internal environment analysis of Newlandocean Company, analyzing the advantages and disadvantages of PGY internal conditions through company structure, enterprise culture, inner management current situation, human resources and so on. It also builds up SWOT matrix by analyzing the advantages, disadvantages, opportunities and threatening of PGY Company.

The fifth chapter relates to the strategic measures of Newlandocean Company. Basing on the above mentioned content and the industry development trend, I hereby make some suggestion to the current business direction and bettering measures in related to sustainable development of the Newlandocean Company.

Chapter Two

The Current Situation and Problem of the Company

2.1 Introduction to the Company

Shenzhen Newlandocean Logistics Co., Ltd, established with the approval of Ministry of Commerce of China, is a transport enterprise enjoying first-class international forwarder qualification. The company also owns qualification of NVOCC approved by Ministry of Communication of the People's Republic of China. The company is the member of Shenzhen Forwarder Association and Shenzhen City Shipper Association and executive member of Shenzhen Customs Declaration Association.

Ever since the company was established, the company has been always insisting on stable development. Gradually, the company has set cooperative websites at more than 50 overseas ports and districts according to the market development and demand of customers. At home, the company set special offices in Shanghai and Guangzhou. The company also provides service at other ports or districts as required by the customers. The company can provide services of shipping space, order making, customs declaration, container assembly, container disassembly, sea freight, land freight, air freight and complete transport service of import and export. Besides, it can issue combined transport multimoda bill of lading.

2.1.1 Current Structural Diagram of the Company

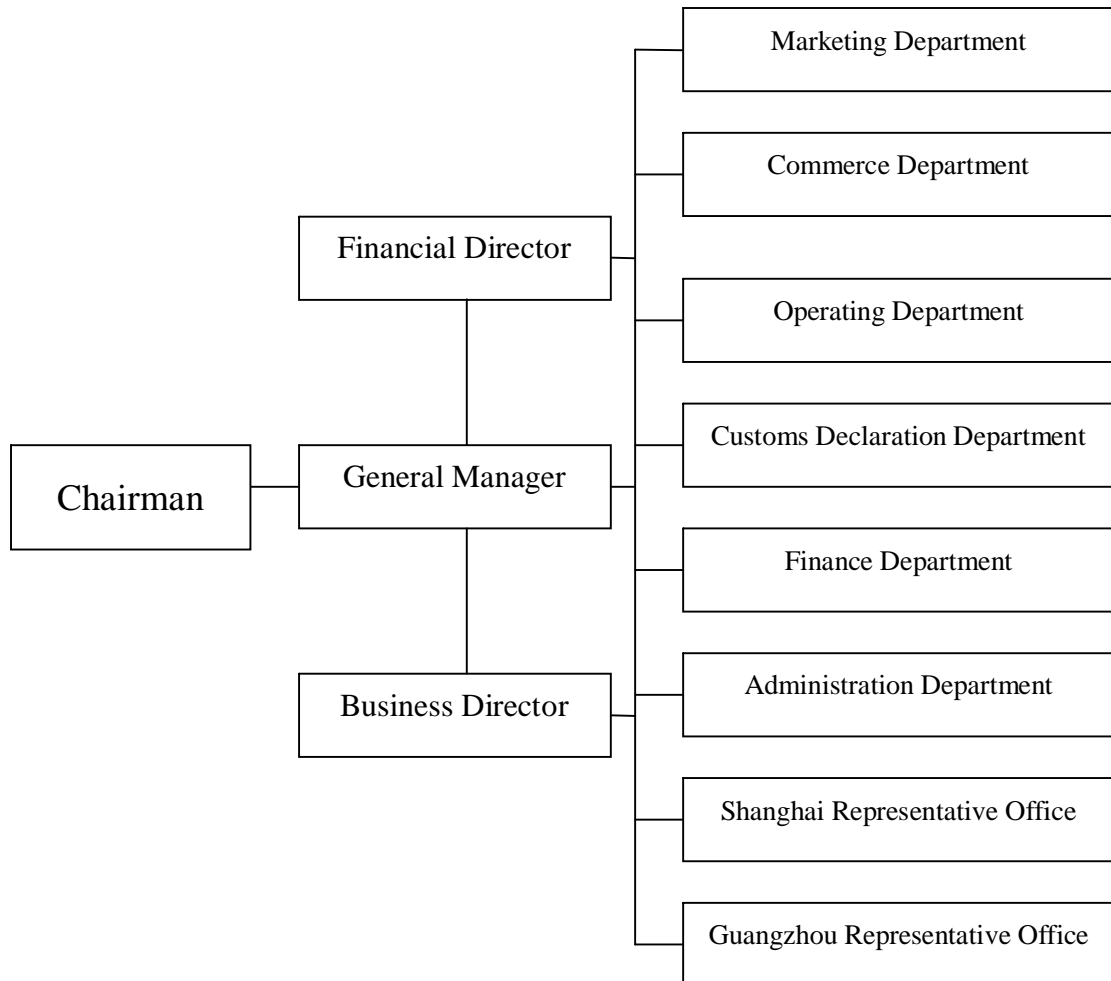


Figure 1 Current Structural Diagram of the Company

Responsibilities of Each Department:

Marketing Department: in charge of business opening and management of marketing personnel.

Commerce Department: to negotiate the transport price with each carriage acceptance company.

Operating Department: to transact each document business and process on-spot supervision.

Financial Department: in charge of financial budget, daily expenditure dealing,

business settlement, financial statement, logistics cost checking and controlling and so on.

Administration Department: in charge of internal management and attendance recording.

2.1.2 Primary Service of the Company

The company mainly engages in international ocean shipping, international air transport, towing carriage, safe-keeping, warehousing, LCL transport and import & export agency.

1. International Ocean Shipping

International ocean shipping is one of the major businesses the company engages in. After years of development, the company owns a big team of experienced ocean shipping talents. It also formulates strict ocean shipping operation rules with combination to ocean shipping. The company has built up long-term cooperation with China Shipping, Cosco, Maersk, NYK, ZIM and other shipping companies so as to provide all-sided, safe and quite transport service.

- Service of FCL container, LCL and ocean shipping.
- Service of book container, packaging and warehousing
- Service of customs declaration, entry inspection and insurance.
- Provide door-to-door transport service

2. International Air Transport

Air transport is one of the adequate and systematic services that Newlandocean provides. The company cooperates well with China Southern Airlines, CA and Eastern Airlines. It can offer air transport as follows:

- Air transport from Shanghai, Guangzhou, Shenzhen and so on to all over the world.
- Service of customs declaration, entry inspection and insurance.

- Goods following-up service.

In order to meet the need of the customers, the company has entered into contracts with many professional towing carriage companies. Besides, the company has built up strict quality safe transport system according to ISO management mode so as to make sure that goods to be shipped promptly, safely and reliably.

- Specialize in container towing and be honest
- Easy and convenient, safe and quick
- Empty, heavy taking and prompt
- Guarantee the sailing schedule

4. Warehousing Business

Newlandocean Company has set warehousing bases at the eastern and western ports of Shenzhen to provide warehousing service to the customers. The company arranges warehousing in/out and shipment packaging on goods delivered passing the railway or highways as required by the customers. The warehousing services of the company include:

- Professional on-spot tally
- On-spot supervision of loading and unloading
- On-spot reinforced packaging
- On-spot photographing

5. LCL

Newlandocean Company can process import & export LCL business to all over the world for the customers. It professionally guides the customers on warehousing in and kinds of documents connecting.

Business tips:

LCL transport only provides forwarder B/L, not providing ship-owner B/L. Foreign exchange clients of L/C shall pay attention to this.

Straight container:

Straight container means that the less-than-container goods are to be unloaded at the same port. Goods will not be unloaded before arriving the destination port, namely, the goods are to be sent to the same port.

6. Import Business Agency

The company appoints special import & export company and foreign trade talents to process purchasing and offer import & export service to the customers.

Commission on signing import & export trade contract.

Commission on import & export trade settlement

Commission on import & export trade transport

2.2 Current Situation of the Company

Newlandocean Company is first-grade international forwarder agency approved by Ministry of Foreign Trade and Economic Cooperation. The company is the member of Shenzhen Forwarder Association, Shenzhen City Shipper Association and NVOCC. The company was founded in 1989 in Shenzhen. In July of the same year, Newlandocean set up Customs Declaration Office of Newlandocean. Meanwhile, it founded warehouse at Shekou Port. In 1993, the company opened up barge route between Shekou Port and Hong Kong Port.

Newlandocean Company mainly engages in logistics service of international ocean shipping, customs declaration, warehousing and transport by truck. The main transport products include general cargo (light industry products), e.g., clothes, building materials, processing raw materials, and special container (heavy industry products), e.g., integral vehicle, truck, tower crane and so on.

Inland transport mainly bases on railway. It has cooperated with China Railway for many years, mostly engaging in transport from Guizhou to Guangzhou. It has been serviced to Guizhou Steel Manufacturing Co., Ltd and Guizhou Tyre Co., Ltd.

On ocean import & export shipping, the company mainly cooperates with MSK, CSCL, NYK, EMC and other state-owned shipowners. And we can enjoy discounts. We mainly advance the air lines of Red Sea, the Black Sea, East, West, Europe and so on.

The company owns 27 subsidiaries all around the country. The subsidiaries are situated along the coastal lines, e.g., Qingdao, Tianjin, Shanghai, Ningbo, Xiamen, Shenzhen and so on.

2.3 Existing Problems of the Company

Though the company develops quite fast, short comings appear as well as rapid development. And with the growing industrial competition, such short comings may be a block to the healthy development of the company. The problems can be summarized to be as follows:

1. Organization structure. Though, departments of Newlandocean Company are classified well, they do not cooperate well. There even be some cross among departments, for example, the Business Department and Service Department. And special Human Resources Management Department has not been set up. The former human resources management are executed by Business Department.
2. Internal Management. In the process of development, though the company has achieved a lot, it runs into problems like other developing logistics companies. The obvious problems are as follows:
 - (1) The logistics cost always stays high.
 - (2) It is difficult to borrow loan from the banks. To make the company bigger and stronger is not easy.
3. Human Resources. See from the development process, there are some problems to

the human resources as follows:

(1) The employees are not with high education and they are with uneven quality. The young employees do not focus on responsibility and quality well.

(2) The age structure of the employees are unreasonable. There are not enough employees under the age of 30.

(3) The company does not offer enough quality and business training to the employees. At present, the company only trains the new-comers.

4. Enterprise Culture. Every enterprise has their own sense of value, while not all the enterprises have their own enterprise culture. PGY Company is a private small-and-medium size enterprise with unstable employees, however, it pays much attention to building enterprise culture. With the expanding of the company and the growing marketing competition, the employees still not realize the importance of study, and the enterprise culture does not work well. The enterprise culture even sometimes is a block to the new strategy of the company.

5. Logistics Marketing. Logistics marketing seems quite a simple job, only to search for the target enterprises and meet their needs to utmost extend, but it is not easy to put it into practice. The enterprise need is always hidden, only the company unceasingly collects the need, does it can do better than others. There are two major problems to the marketing of Newlandocean as follows:

(1) The company is not good at judging different customers.

(2) The sales targets always limits to large-and-medium enterprises, not abroad enough.

Chapter Three

External Environment Analysis of Newlandocean

3.1 Analysis on Macro Environment

Macro environment means the main social forces that create marketing opportunities or environment threaten to the enterprises. It directly or indirectly influence the strategic management activities of the company. PEST analysis, a simple analysis method, analyses the influence of the environment on the enterprise through Politics/Legal, Economic, Social Culture and Technique. (Please refer to drawing 3-1 for information of external environment influencing factors)

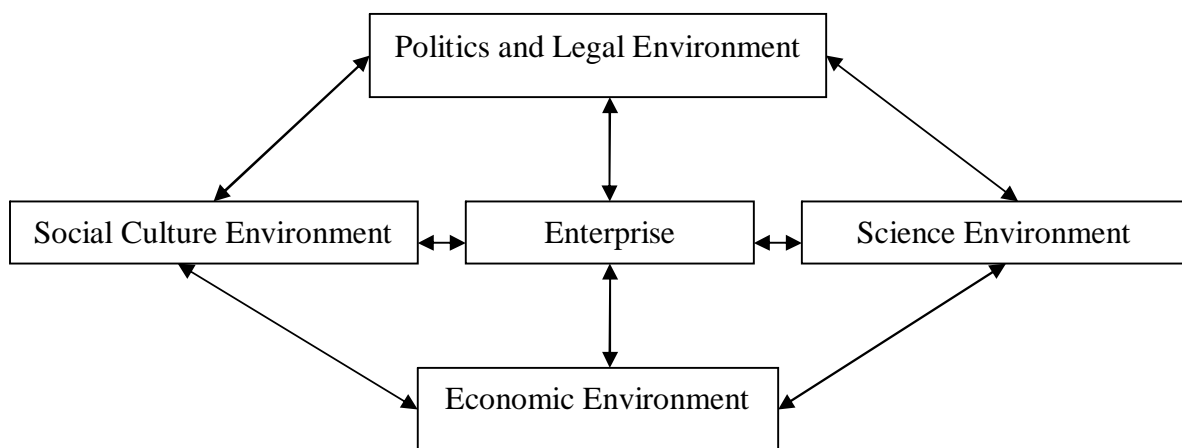


Figure 2 Information of external environment influencing factors

3.1.1 Policy and Legal Environment Analysis

1. Opportunities and Challenges Exist at the Same Time after Jointing WTO

(1) Opportunities that China Logistics Faces after Joining WTO

① After joining WTO, our economy integrates with international economy. Every

logistics enterprise can enjoy the benefit of best-favorable countries unconditionally. This can advance the development of foreign trade and logistics of China to the utmost extend.

② The pressure from foreign advanced logistics equipment may promote to change the transport equipment of Chinese logistics enterprises.

③ After lots of foreign goods come to China, the enterprises will pay more attention to developing the core technique so as to intensify the core competitive power, and the manufacturers will endeavor to produce. Then more logistics business is to be completed by third-party logistics companies.

(2) Challenges that China Logistics Faces after Joining WTO

① The foreign logistics company with abundant funds have established many joint ventures or single proprietorship logistics enterprises in China and have achieved great success.

② Chinese logistics industry has a long way to go. Compared with the foreign logistics companies, we are not experienced enough.

③ Logistics enterprises of developed countries do much better than us on logistics facilities, equipment, commodities warehousing technique, flowing processing, packaging technique, commodities marking technique, automatic control technique, logistics design and so on.

2. Support from National and Local Governments

The national policy and rules and regulations have much influence on the economy and the related industries. In October 2005, the Fifth Plenary Sessions of 16th Central Committee of the Communist Party issues *Suggestions on 11th Five-Year Plan on National Economy and Social Development from the Communist Party*, which points out that to formulate and better policy that advances the business

development and largely develop industries like finance, insurance, logistics, information, legal service and other modern business. It was the first time that documents of Central made Logistics as industry and clearly list logistics as industry to be well developed. Besides, *11th Five-Year Planning Outline of National Economy and Social Development*, issued by Fourth Plenary Sessions of 10th Central Committee of Communist Party, also mentioned that ;to largely develop modern logistics; and it also listed modern logistics industry, together with financial service, commerce service and so on to be ;productive service industries to be developed;. Besides, developing ideas and important points were raised. It is counted that from 1985 to 2003, the newly increased highway is totally 600,480 km, with annual 33,600 km increase.

At the end of 2004, road had been built to almost every village. The road around the nations is up to 1.856 million km, and the highway is up to 34,200 km. The number leaped to be the third in the world. The railway transport came to be at the first place in Asia. We also have made progress on handing capacity of water transport, which rose to be at the fifth place. Building of infrastructure is good for the development of logistics industry. Secondly, the logistics opening-up is speeding up. In 2002, the former Ministry of Foreign Trade and Economic Cooperation issued *Notice on Related Problems of Processing Trials of Setting Foreign Invested Logistics Enterprise* to carry out trial of foreign invested logistics industry, allowing overseas investors to invest and operate international logistics and third-party logistics business in form of Sino-foreign co-invest and Sino-foreign cooperation. Modern logistics industry develops quite fast in China with a great future. However, we must not neglect the existing problems in modern logistics industry of our province. Generally speaking, the provincial logistics develops in low level, mainly due to high cost, small scale, backward development of third-party logistics enterprise,

irregular logistics market and so on. According to the economic data posted by Shenzhen City Statistics Department, Shenzhen GDP raised 12.1% in 2008, reaching 780.7 billion Yuan, 3.1% higher than other places. On the whole year, the economic first raised slowly and then quickly, rising gradually, different from that of the whole nation.

GDP of Shenzhen in 2008 is up to 780.7 billion Yuan, just less than that of Shanghai, Beijing and Guangzhou, at fourth place. GDP of the whole nation decreases by each season, while Shenzhen is different. GDP of the first three seasons of Shenzhen increases 11.5%, and GDP of the whole year is 12.1%. In 2009, global economic crisis will go on. Shenzhen has to work hard on fixed asset investment, foreign trade, expanding domestic demand and so forth if to gain 10% increase of GDP. The logistics industry goes on well.

3.1.2 Analysis on Economic Environment

Economic environment means the economic scale and development situation of a country or a district. During the 11th Five-Year, great change will happen to the economic climate of our country. Taken as a whole, economic climate of our country will basically stay stably. It is predicted that the GDP of our country will be at 80k ~ 90k during the 11th Five-Year. Therefore, during 11th Five-Year, the integrated economic climate of our country will stay stable, without existing obvious pressure of pushing the economic increase or stabilizing goods price.

1. Chinese Economy Develops Rapidly and Import & Export Trade Sustainably Grow

In the recent 10 years, Chinese economy has been developing rapidly. In 2002, GDP first exceeded 10,000 billions, and the total import & export amount was over 620

billion USD. In 2003, the total import & export amount was up to 852 billion USD. In 2007, GDP was up to 24,660 billion Yuan, standing at fourth place on the world. The total import & export amount of the whole year was 2173.8 billion USD, with 23.5 % increase comparing to the former year. The huge economy aggregate resulted in huge amount goods flowing. In 2006, the social goods transport amount was up to 19.944 billion tons, with a 5% annual increase. The amount of the circular flow accumulated to be 8545.88 billion tons, increasing 785.151 tons comparing to that of former year, with an increase of 10.1%. After joining WTO, with the integrating progress of the global economy and the sub-division of economic activities, China is going to become the 'processing factory' of global economy. More and more multinational companies out contract their production-manufacturing business, immensely advancing the demand on third-party logistics. Modern logistics of Shenzhen started in 90s of 20th. It developed rapidly in 21st. Step by step, modern logistics industry becomes the import mainstay of provincial service industry and progress point of national economy. It is on its way to rapid developing period. The logistics service market of Shenzhen has basically formed. The ratio between the logistics total expense and GDP is getting smaller. Logistics added values gradually rise. In 2007, there are more than 3000 enterprises specializing in logistics, including about 2000 third-party enterprises. Many state-owned logistics enterprises, transformed to be modern logistics enterprises through reorganization and business transforming, have become the backbone forces of logistics market. Some nationwide well-known logistics enterprises and foreign invested large logistics enterprises have set up offices and branches in Shenzhen, with logistics webs spreading to the major cities all over the country gradually.

2. Obvious Regional Economic Advantage

Shenzhen is quite near to Hong Kong Shanshui. Shenzhen becomes to be a modern

city from a little fishing village just in 27 years! It has made world miracle of urbanization, industrialization and modernization.

In China, Shenzhen has the most ports and the only city to have port of sea, land and air. It plays an important role in connecting China with the world. Besides, Shenzhen has strong economy support and modern city infrastructure. The comprehensive competitiveness of Shenzhen comes to be first in mainland cities. Till 2010, Shenzhen will build up Chinese hi-tech production base and regional financial center, information center, commerce center, transport center and places of interest. It is on its way to be a modern international city.

3. Comprehensive Economy Grows Unceasingly

In China, Shenzhen has the most ports and the only city to have port of sea, land and air. It plays an important role in connecting China with the world. In accordance with *2007 Chinese City Competitiveness Blue Book*, issued by Chinese Academy of Social Science and organized by Doctor NI Pengfei, General Editor of City Competition Power Blue Book and famous expert in city competitiveness, comprehensive competitiveness of Shenzhen lays at the first place among mainland cities.

According to *2008 City Competitiveness Blue Book* and *2009 City Competitiveness Blue Book*, Shenzhen has the strongest competitiveness in mainland. The economy development of Shenzhen will bring great demand on modern logistics in Shenzhen. Rapid development in economy brings forth the development of modern logistics. As service industry, logistics exists in many fields of national economy. It is a must that more complete and higher efficiency logistics service are required for spreading of economy scale. Therefore, Chinese logistics industry goes on developing and this offers conditions for Newlandocean to do well.

3.1.3 Analysis on Social Culture Environment

Social culture environment means population situation, geography situation, social culture, religions belief and so on that influence the enterprise development. Every man lives and works in some certain social environment. His thought and act must be influenced by the social environment at some certain degree. We hereby mainly analyze the population environment, geography environment and culture environment. The population decides the potential of the logistics market. The more population, the bigger market scale is. The geography environment has an impact on the communication, thus to influence the logistics need as well. Social culture limits the communication and acts of people, thus playing an important role in logistics development too.

1. Population Environment. According to the officially data, in 2008, there were 8,768,300 resident population in the city, including 2,320,800 household population and 6,440,750 temporarily population. The total non-household population living for seven days above of the city is 10,372,200. The huge population and the economic growth and progress of standard of living caused by population must require the logistics developing rapidly. Logistics industry relates to the production and life of population closely, widely existing at every filed of the society.

2. Geography Environment. Shenzhen is in long and narrow shape, the east and west long, south and north narrow. The straight-line distance from east of Dongbao Estuary to south of Shekou Peninsula is 155.2 km, and it is 157.2km to Dapeng Peninsula. The straight-line distance is only 6km from the narrowest place of south and north to Shayuyong Coastal line. The administrative area of Shenzhen covers is 1952.84 sp km. In 2004, the built-up area of the whole city was up to more than 550 square kilometers, staying at the first place of the country. Shenzhen special

economic zone (hereafter called 'special zone') covers an area of 327.5 sp km, being the biggest special zone of China except for that in Hainan province.

3. Culture Environment. Shenzhen culture is funnel culture, namely, it combines individual features from all over the country.

3.1.4 Analysis on Science Environment

In information age, the application of IT changes the organizational structure and business mode of logistics enterprises. The keen competition of domestic and foreign logistics technology suppliers create favorable technique environment for Chinese third-party logistics market. Logistics system planning, optimizing, emulation and other technologies, bar code and its automatic sorting system, hand-held terminal technology, EDI technique, GPS, AI Technology, logistics information system based on internet and other logistics information technologies, kinds of loading and unloading equipment, automatic access equipment, flowing processing equipment, RFID, laser scanning and other automatic logistics centers, JIT and other supply chain management technologies are unceasingly used in logistics industry thus to expand the service scope. Besides, service ability, operating efficiency and customer service level are greatly promoted. Logistics technique plays an important role in expanding logistics activities. To make use of advanced logistics technique is significant for an enterprise to enhance its competitiveness as well as providing favorable technique environment to Newlandocean Company.

3.2 Structural Analysis on Industry Competition of the Company

Porter, professor of Harvard University, points out that industry structure is kinds of competitive force of the industry and their mutual relationship, and it is the fundamental factor that decides the industry competitive nature, competitive degree and whether the enterprise can gain competitive advantage or not. Competition of the

industry is far from that among the original competitors. There are five basic competitive forces, namely, existing competitor, potential competitor, bargain ability of buyers, bargain ability of suppliers and the substitute. (Refer to drawing 3-2 for Porter five-force mode.) Comprehensive strength of competitive force varies in different industries. Newlandocean faces quite strong marketing competitive threaten. The existing competitors are forwarder enterprises, warehousing enterprises and logistics enterprises that at the same stage of Newlandocean. The potential competitors are those enterprises who are confident to do well in, and ready to engage in, forwarder industry or logistics industry. Buyers are consumers of forwarder and logistics service. The suppliers are providers who have vehicles and warehousing facilities. At present, there are not substitute.

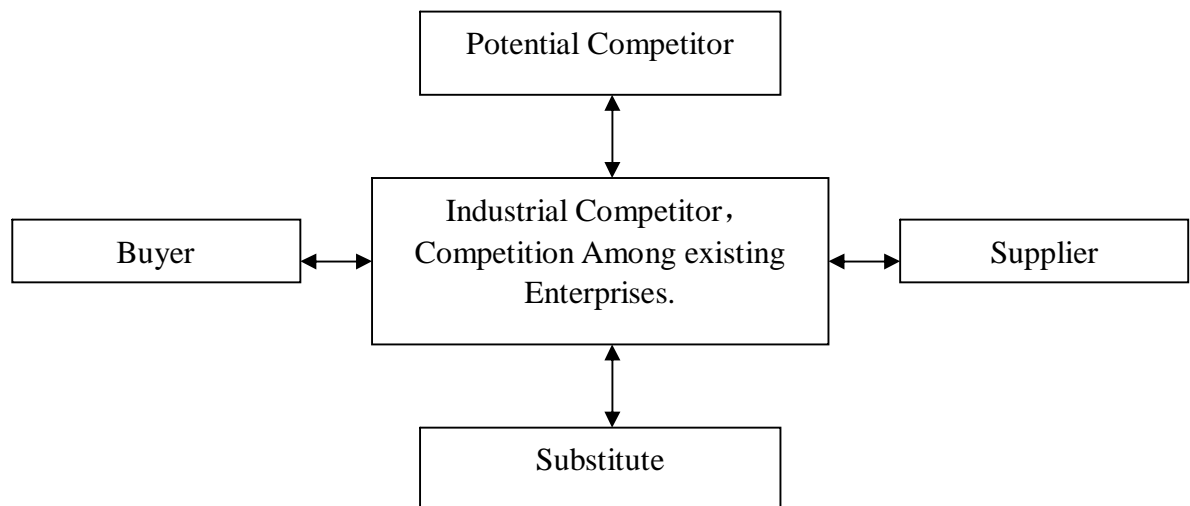


Figure 3 Porter five-force mode

3.2.1 Threaten from Existing Competitors

From the comparison of advantages and disadvantages of logistics enterprises of different types in drawing 3-1, we can easily find that logistics enterprises of

different ownership grow and develop totally differently, resulting that they face varies competitive environment. The former State Economic and Trade Commission had listed 34 state-owned logistics enterprises to be supported objects, issuing favorable policy and fund for these enterprises. The competitors of such enterprises mainly are huge foreign logistics enterprises that coming to China one by one. As for most of the private logistics enterprises, the competitive forces are of domestic as well as overseas. The private enterprises may have no perfect system and lack of high-efficiency operation. It must experience twists and turns to achieve success. Newlandocean presently operates third-party logistics business. The scale is limited to only tens of vehicles. It faces competition from large logistics enterprises as well as medium-and-small logistics enterprises of the same scale. Or we can say that any enterprise engaging in forwarder, transport, warehousing and so on is the competitor of Newlandocean. Logistics market in Chengdu resulting from WTO is almost occupied by many multinational logistics enterprises. With the building of Shenzhen Dachai Port, there must be more huge logistics enterprises rushing into Shenzhen. The local logistics enterprises will run into a new competitive relationship with multinational logistics enterprises. Of course, the greatest competitors are still enterprises of the same industry of the same size.

Currently, China Overseas Logistics Co., Ltd, Shentong Logistics Co., Ltd and others are the powerful competitors of Newlandocean Company. Only Newlandocean tries to know well of the competitor, could it take right measures to face the challenge and enlarge its own marketing share.

Table 1 The Advantage and Disadvantage on the Different of Logistics Company

| | Traditional transport and warehousing enterprise | Newly logistics company | Internal logistics department of production and circulating enterprises | Foreign logistics company |
|----------------------------|--|--|---|---|
| Representative enterprises | Cosco, Sinotrans | China Overseas Logistics Co., Ltd, Shentong Logistics Co., Ltd | Haier Attend Logistics Co., Ltd | Denmark Youli Logistics Co., Ltd; Japan Kintetsu Logistics |
| Advantages | Large state-owned enterprise owns nationwide network and many transport and warehousing resources and be in good relationship with central and local governments | Private enterprise and joint venture. The customers and the services are accordingly integrated with rapid increase | Mainly internal customer service. Good in fund and with good network covering. | Has strong foreign network, abundant industrial knowledge, actual operation experience, advanced IT system and powerful financial support |
| Disadvantages | Quite many redundant staff, low working efficient; Focus on internal enterprise culture but not customer and achievement oriented | Only has limited fixed assets. Be in lack of favorable financial support. The internal management and system are the main block for rapid development. | Difficult to attract more external customers; the strategy and the external position are largely restricted by parent company | In China, there is not enough internet system. Business in China is still in lack. The cost is comparable high. |

3.2.2 Threaten from Newcomers

According to the research, we can see that most of the enterprises do not pay enough attention to the threatening of newcomers. In fact, many newcomers always bring with large amount of resources, even bringing forth abundant unfavorable influence to the existing enterprises. Newcomers may force the existing enterprises to raise the production efficiency and work for new achievement. As we know, there are two factors deciding whether an enterprise entering a new industry. One is the entering obstacle, and the other is the predicted hit to the existing enterprise. Enterprise, which has to pay much effort to enter a new industry and at the place that not easy to market well, is said to have entering obstacle. At present, entering into logistics market in China is not hard as technology content is not high. Several years ago, only with one telephone and some bicycles could business be done. No strong counter-attack can be made for there is no scale economy in logistics industry and the provided service are the same. The new comers only need to transact the registration of industry and commerce (with registered capital not less than 2 million Yuan). Business can be operated after gaining the relevant business license and so on. However, China logistics market is buyer's market. The buyer usually makes delay payment as one of the clauses of the contract. As a result, forwarder enterprises need to have abundant fund to bear the effect from delay payment. Take road forwarding as example, forwarding enterprise may have to pay for fund over 100,000 Yuan for one deal. Therefore, be prudent to enter logistics industry.

3.2.3 Threaten from Buyers

Enterprises always pursue of higher ROI, while the buyers, namely the consumers, always hope to gain best product and best service with least expense, which will make the supplier gain the least ROI. Buyers usually haggle over prices for sake of reducing expenditure or lowering cost. They search for better product, better service,

and, the lower price. Meanwhile, competition among enterprises of the industry may as well help the buyers benefit more. With appearing of more and more third-party logistics companies, the price difference among the industry may gradually get smaller. So the threatening from the buyers mainly lays on bargain ability. When the buyers are to transport large amount goods, for there is little difference among freight industry products, the transferring cost is low and the sales channels are quite well known, buyers are quite capable of bargaining. Generally, buyers are at the advantage place under current forwarding marketing situation.

3.2.4 Threaten from Suppliers

In forwarding industry, the supplier means shipping company, car owner, railway department, airline company, port and so on that provide service to the logistics enterprise. Threaten from suppliers is that suppliers directly carry out logistics business and easily enter the logistics industry with low cost and goods regain.

3.2.5 Threat from Substitute

Substitute means that product having the same functions as the existing products. There are many things that can replace others, while they may not be really substitute objects. Whether the substitute has replacing effect or not relies upon that if the substitute can be of larger or more value or performance cost. Therefore, the actual functions of substitute products restrict the price of the existing product, thus to limit the benefit of the industry. The case, that the logistics demand-side does not satisfy with the logistics service from third-party logistics at the beginning period, and they carry out integrated policy and process self-operating logistics, is a threat to third-party logistics. The mainstream of development strategy of enterprise supply chain generated by market competition is to out contract the supply chain management. Enterprises will focus on development and marketing of new products, so threat from institute is much little. It will not last long, if there is any. Currently,

as carrier of moving the materials, logistics will be more and more important. Nothing can replace logistics in short term. In general, the main pressure that Newlandocean Company faces is the threatening from existing competitors and the buyers.

3.3 EFE Matrix Analysis of External Environment of the Company

External Factor Evaluation on Matrix is to find the key success factors of the company basing on fully analysis of the external environment of the survival and development of the company, including kinds of opportunities and threatens influencing the enterprises and its industry. To summarize and evaluate the external success factors on matrix can make the place of the enterprise at the industry. It is good for the company to make use of the favorable opportunities and get rid of threatens. The EFE matrix of external environment is built up according to the following steps (refer to Form 3-2 EFE Matrix of Newlandocean Company).

Table 2 EFE Matrix of Newlandocean Company

| External key factors | Weight | Scoring | Weighted score |
|---|--------|---------|----------------|
| Main Opportunity | | | |
| 1. Join WTO and enjoy the benefit of best-favorable countries unconditionally | 0.12 | 3 | 0.36 |
| 2. Abundant support from national and local governments | 0.15 | 3 | 0.45 |
| 3. Manufacturers focus on the main business and demand on third-party logistics increases | 0.09 | 2 | 0.18 |
| 4. Chinese economy develops rapidly and import & export trade rises unceasingly | 0.08 | 3 | 0.24 |
| 5. Some certain perfection on logistics infrastructure | 0.07 | 2 | 0.14 |
| Main threats | | | |

| | | | |
|---|------|---|------|
| 1. Foreign logistics companies have abundant fund and with great advantages | 0.14 | 4 | 0.56 |
| 2. Logistics facilities and technology equipment of our country are backward. | 0.08 | 3 | 0.24 |
| 3. There are many new logistics enterprises in China | 0.12 | 3 | 0.36 |
| 4. Buyers are good at bargaining and they are passion for low price | 0.08 | 2 | 0.16 |
| 5. Manufacturing enterprises is backward integrating and self-run logistics | 0.07 | 2 | 0.14 |
| Total weighted score | 1.00 | | 2.83 |

From the EFE matrix analysis, the total weighted score is 2.83, which tells that the company can respond well to the existing threat and the external environment is good for the company to develop. The company can make some achievement through making use of the external environment.

Chapter Four

Internal Environment Analysis of Newlandocean Company

The purpose of analyzing the internal environment is to find the advantages and disadvantages of the company, thus to determine that whether the company can make use of the opportunities from the external environment and get rid of the potential threaten.

4.1 Analysis on Internal Environment

4.1.1 Inner Management Analysis of the Company

Newlandocean Company transformed from the traditional foreign trade freight company. The core team of the company has never changed. After hardworking of more than ten years, the leading team has made a great progress on business. The leading team is easy to agree on the same point and they are good at carrying out missions. They goes on well with the relevant departments. Though Newlandocean Company has achieved a lot, it faces problems like other logistics company in developing as follows:

- (1) The company does not carry out logistics transport reasonably, for example, re-transport or no-load transport exists in transport process. Cost on logistics increases. In dispatching process, repeated transport and roundabout transport also exist.
- (2) Sometimes the company can not transport the goods on time, and the relevant cost on warehousing, loading and safe-keeping increases accordingly.
- (3) The company does not make use of machines fully. Manual-works are quite much, so more time is required on work and the efficiency is quite low. Some customers are very strict with the transport time. It is bad for the reputation of the

company if the goods are not packaged well and not transferred to the appointed place on time. In that case, the company also has to compensate on the economic loss. Besides, the rude loading and unloading of the employees results in high loss in goods.

2. Hard to Borrow Loan from the Bank

The development will not be easy without abundant fund. However, banks are reluctant to offer loan to logistics companies due to the current situation of logistics enterprises, the unregulated market and dishonor of some logistics companies. So lacking of fund is a big obstacle for the development of Newlandocean Company.

4.1.2 Human Resources Analysis of the Company

Expense on human resources is the main cost of most enterprises to provide products and service. Cost on labor of third-party logistics enterprise accounts for 30% or so of the total cost according to statistics. Therefore, the quality of human resources directly influences the working achievements. Any organization can not carry out its strategic goal without human resources.

Table 3The Structure of People in Newlandocean

| Age | Personnel number | Proportion | Education background | Personnel number | Proportion |
|----------|---------------------|------------|-------------------------|---------------------|------------|
| Above 40 | 24 | 32.8% | Junior college | 2 | 8.33% |
| 34-40 | 28 | 38.8% | Junior college | 12 | 42.8% |
| Below 30 | 21 | 28.3% | Junior college | 21 | 100% |
| Total | 73 | | | 35 | 47.9% |

Presently there are 73 employees in Newlandocean Company. According to the current employees structure (refer to Form 4-1 for Employee Structural Drawing of

Newlandocean Company), we learn that the high management personnel are not well educated, and the structure is not reasonable. Employees with junior college education or above only account for 47.9% of the staff. Not much employees have professional logistics operation management experience and ability to organize the logistics enterprise. The average age of management personnel is 33, 43 is the oldest. The average age of the staff is 35. It is a young employees team. In general, the employee quality of Newlandocean Company is not high but they are in great potential to make progress. There are still problems existing as follows according to the human resources structure.

1. The employees are not with high education and they are with uneven quality. The young employees do not focus on responsibility and quality well, especially the temporarily employed loading workers, with lower quality.
2. Age structure is unreasonable. Employees aged below 30 are not much, only accounting for 28.7% of the staff. It is not advantage in logistics industry.
3. The company only trains the newly-employees staff. Generally, existing sales personnel are not to be trained. Therefore, overall quality of the staff stays low, and the knowledge and technology do not renew in time. Employees do not master logistics technology well. besides, the current human resources management system is quite backward. New concept has not been brought in to human resources management, as follows:
 - 1) Distribution system is unreasonable. Worker with the same conditions at the same post may get different salary. Job-dedication spirit and the sustainable development are largely limited.
 - 2) Selecting and employing system is not complete enough. The company does not have complete examination system and favorable competition system. The company only promotes those who obey the rules but without consideration of
 - 3) their working ability.

4.1.3 Enterprise Culture Analysis of the Company

The company is a private medium-and-small enterprise with unstable staff, however, the company pays much attention to enterprise culture building. Enterprise culture mainly relates to the guiding idea, operation concept and working style of the company, including sense of value, industry regulations, moral regulations, culture tradition, customs, ceremony, management system and enterprise image. Enterprise culture is people-oriented management mode, making each employee has the same responsibility and mission through culture force.

Structure of Enterprise Culture

1. Material layer. Material layer is the facial layer of the enterprise culture. Special drawing is printed to the articles, office location, documents and so on so as to show the material layer of Newlandocean Company.
2. System layer. It is the middle layer of enterprise culture. The middle layer is mainly the act standard that regulates and limits the acts of the employees and the company, including working system, rules and regulations, responsibility system, rewards and punishments and so on.
3. Spirit layer. It is the core layer and soul of enterprise culture. It is the basic faith, value standard, job moral, spirit and so on that leaders and employees of the company shall bear in mind.

The spirit layer culture of Newlandocean Company includes:

- (1) Advance concept innovation by notion renewal.
- (2) Advance management upgrading by culture development.

4.1.4 Individual Service Analysis of the Company

There is 'Two-Eight' principle in management theory, namely, 20% of the customers bring forth 80% of the profit, while the other 80% customers bring forth

20% of the profit. In accordance to this principle, the company will benefit a lot if having found out the 20% customers and serviced them better. PGY Company has realized this well. So the company specially set up a special team to provide individual service to large-and-medium enterprises. The company has provided individual service to Panzhihua Coal Company, Sichuan Shengda Energy Company and other large-and-medium enterprises. Individual service is applicable for the different market needs, representing the development trend of logistics industry. There are as well disadvantages in providing individual service as follows:

1. The special item team does not cooperate well. Most of the team members engage in the individual service temporarily, they may be less responsible and not easy to organize.
2. The provided individual service may be unqualified according to the requirements of the customers.

4.2 EFE Matrix Analysis of Internal Environment of the Company

Internal factor evaluation on matrix is internal analysis tool of strategy management. It summarizes and analyses the advantages and disadvantages of each authority fields and offering base for confirming and evaluating the relationship among these fields. IFE matrix of internal environment can be built up in the following steps. (refer to 4-3 IFE Matrix of Newlandocean Company)

Table 4Matrix of Newlandocean Company

| Key internal factors | Weight | Scoring | Weighted score |
|--|--------|---------|----------------|
| Main advantages | | | |
| 1. The company has stable customers and information relationship net | 0.13 | 4 | 0.52 |
| 2. There are lots of vehicles | 0.09 | 3 | 0.27 |
| 3. There are many operation webs with some certain web advantages. | 0.08 | 2 | 0.16 |
| 1. Know well of domestic | 0.14 | 3 | 0.42 |

| | | | |
|--|------|---|------|
| warehousing, transport and dispatching business | | | |
| 5. Has excellent and teamspirited logistics team which is good at business | 0.07 | 2 | 0.14 |
| 6. The company has excellent enterprise culture | 0.05 | 1 | 0.05 |
| Main disadvantages | | | |
| 1. The logistics service function is quite simple with incomplete service web | 0.07 | 2 | 0.14 |
| 2. The organization structure is unreasonable. Modern human resources management system is in need | 0.11 | 3 | 0.33 |
| 3. The company is in lack of necessary logistics information systematic management | 0.10 | 2 | 0.22 |
| 4. The hardware and software of logistics industry is incomplete and immature | 0.07 | 2 | 0.14 |
| 5. The core business of the company is not well done and the cost always stays high | 0.09 | 2 | 0.09 |
| Total weighted score | 1.00 | | 2.55 |

4. The weighted score of each factor is accounted through multiplying relevant score and the relevant score. The total weighted score of all the factors is the sum of the score of each factor. The maximum of total weighted score that an enterprise can gain is 4 and the minimum is 1, with average 2.5. Enterprise with total weighted score lower than 2.5 is at the weak side, and that with more than 2.5 is at the advantage side. Selecting of key factors of internal environment on matrix is very important to decide on the weight and score. The internal key factors are selected by the high management personnel, managers of the branches, principals of each department and 5 engaged logistics experts through discussing. Then they issue

weight and the relevant score without giving the name. Finally, the average score is selected as the number of weighted score. Average score is chosen as the evaluation score. From the IFE matrix analysis, the total weighted score of Newlandocean is 2.55, a little higher than the average, showing that the company has weak advantage.

4.3 SWOT Analysis

SWOT is the abbr. of Strength, Weakness, Opportunity and Threat.

4.3.1 SO Strategy

1. It is to actively develop other logistics value added service by making use of the advantages. At present, most of the logistics enterprise stay at the same competitive state. Most of them offer simple manual service with less technology, which is quite easy to copy. To develop other logistics service is very important for the logistics enterprises to improve their core competitive ability and maintain the market share. They can assist the customers to collect and analyze the market information by directly making use of advantages facing terminal market. Also, they can gradually tend to provide professional and hi-tech service, such as after-sale maintenance, refined assembly and loading service. Service of such kind can bring great benefit to the logistics companies.

Table 5 SWOT Analysis

| | Advantages | Disadvantages |
|--|---|---|
| | <ol style="list-style-type: none"> 1. The company has stable customers group and information net. 2. The company is in good relationship with many shipping companies. 3. The company has many operations webs with some certain web | <ol style="list-style-type: none"> 1. The logistics service function is quite simple with incomplete service web. 2. The organization structure is unreasonable. Modern human resources management system is in need. |

| | | |
|--|---|---|
| | <p>advantages.</p> <p>4. The company has excellent and team-spirited team which is good at business</p> | <p>3. The hardware and software of logistics industry is incomplete and immature.</p> <p>4. The core business of the company is not well done and the cost always stays high</p> |
| <p>1. Join WTO and enjoy the benefit of best-favorable countries unconditionally.</p> <p>2. Abundant support from national and local governments</p> <p>3. Manufacturers focus on the main business and demand on third-party logistics increases</p> <p>4. Chinese economy develops rapidly and import & export trade rises unceasingly</p> <p>5. Some certain perfection on logistics infrastructure</p> | <p>1. Actively develop other logistics value added service from advantages</p> <p>2. Stabilize and expand the current logistics web and steadily raise the market share</p> | <p>1. Bring in advanced logistics technology, perfect the enterprise operation system and invest more to train the employees.</p> <p>2. Build up third-party logistics information system, raise logistics service quality and make more value added service.</p> |
| <p>Threat</p> <p>1. Foreign logistics companies have abundant fund and with great advantages</p> <p>2. Logistics facilities and technology equipment of our country are backward.</p> <p>3. There are many new logistics enterprises in China</p> <p>4. Buyers are good at</p> | <p>Strategy</p> <p>1. Build up core competitive power from advantages</p> <p>2. Know well of the marketing, technology, development planning and so on of the competitors to avoid threat</p> | <p>Build up logistics strategy ally.</p> |

| | | | |
|----|---|--|--|
| 5. | bargaining and they are passion for low price Manufacturing enterprises is backward integrating and self-run logistics | | |
|----|---|--|--|

2. Stabilize and expand the current logistics web and steadily raise the market share(S1、 S2、 01、 03)

Logistics web is the lifeline of enterprise, and it decides the development space of the enterprise. Newlandocean Company shall refine the web location and perfect the service functions guide by the policy of basing on Shenzhen and directing to Central China. On one side, the company shall build up scale operation concept, refine the regional market and research into potential promote. On the other side, the company shall build up new type management system that is applicable for the web development, enlarge business range, make sure the information resources sharing and smoothing and steadily raises the market share.

4.3.2 WO Strategy

1. Bring in advanced logistics technology, perfect the enterprise operation system and invest more to train the employees. (W1、 W2、 04)

In the past, cost and fund are key problems that limit the development of medium-and-small enterprises. However, in the new competitive environment, it is that successful application of new technology that decides the enterprise to achieve development. In recent years, GPS, RFID and other new technologies, which were originally defense-related science and technology, were once hot in the logistics industry. Such technologies play an great role in promoting the management level and service level of logistics enterprise. Newlandocean Company shall unceasingly pay attention to bringing in new logistics technologies if it intends to achieve more.

It is a must that application of new technology needs great amount of money. It is simpler to perfect the operation system and enhance the operation speed. As a private logistics enterprise, Newlandocean Company shall fully make use of its own advantages, such as flexibly operation, to make the employees feel responsible at the utmost extend. In addition, the company shall train the staff to make the integrated employees strong.

2. Build up third-party logistics information system, raise logistics service quality and make more value added service. (W1、 W3、 W5、 01、 04)

The three basic factors of logistics system are warehousing system, transport system and logistics information management system, which adjust and manage the overall virtual logistics chain. Warehousing system and transport system are both logistics resources, either be self-contained resources of logistics enterprise or be social resources. Logistics information management system adjusts all the logistics resources, providing optimized logistics service through reasonably resources adjusting and distributing plan. Therefore, logistics enterprise can not survive without information management system. The primary standard that many foreign manufactures select factories is whether it has information management system of logistics business. So it is urgent for Newlandocean Company to set up its third-party logistics information system. It is the important way to be different from other competitors. Besides, building information management system is goods for promoting the logistics service quality and add value-added services. However, as a regional logistics enterprise, Newlandocean Company shall focus on practical in building information management system.

4.3.3 Strategy

1. Build up core competitive power from advantages(S1、S3、S4). As private logistics enterprise, one of the advantages of the company is acting flexibly and rapidly. But time limit is the core competitive object in logistics industry. The level of time limit is the main standard for judging the core competitive ability of the company. Logistics enterprises always build up their own conveying and dispatching web by making use of fastest and most excellent transport tools. Those who have unique advantages of time limit can occupy more market share. Therefore, PGY shall make use of the traditional main line network of the province and make sure that the logistics management and guidance within the province are smooth in order to get rid of obstacle in terminal dispatching and raise the transport speed.

2. Know well of the marketing, technology, development planning and so on of the competitors to avoid threat(S1、S2、S3、T3)

Currently, it is not difficult to establish a logistics enterprise. Competition in this industry is very intense. Logistics industry is totally marketization. In order to achieve more, many logistics enterprises always fight against with their competitors. While largely developing business, PGY shall pay attention to analyzing the industry trend and the competitors as well.

4.3.4 WT Strategy

Build up logistics strategy ally (W1、W2、W5、T2、T3)). To be frank, compared with the powerful foreign invested enterprises, the company is rather small, only able to struggle to survive. However, it is possible for such medium-and-small logistics enterprises to become strong by building up logistics strategy ally. Through strategy ally, logistics enterprises can share settled resources and capacities, develop new markets and so on. In the future large scale investment, through the strategy ally,

logistics enterprises can make use of the logistics services of the allied enterprises, to increase the services types and provide integrated logistics services. By this strategy, logistics enterprises can have more market shares and stronger competitive ability. Similar culture, mutual dependent, valid information negotiation, common operation goal, technology complementation and joint effort on management of the managers of both parties are key factors to succeed in strategy ally.

Chapter Five

Strategic Choice of the Company

5.1 Total Strategy Choice of the Company

Strategy is long-range method and policy that the company uses to make use of the resources and search for development. Correct and applicable strategy can help enhance the competitive capacity of the company. Enterprise strategies may vary for different standards. Seen from the operation direction, strategy can be classified into four categories, including growth strategy, defense strategy, retreating strategy and mixed strategy.

1. Growth strategy. In order to develop basing on the current strategic level, the enterprise must increase the resources and the using efficiency of the existing resources, bump up the sales quantity, enlarge market share, step up the benefit ability and push up the competitive position.
2. Defense strategy is to lower the attacking possibility of the competitors, to reduce the attacking or less the attacking strength through distributing the resources and on the premise that the current operation situation unchanged during the strategy planning term. The strategy is applicable for maintaining the present situation, expand but wait for opportunity, or for temporarily stabilization.
3. Retreating strategy is to retreat when the enterprises face great difficulty and the external environment is not bad for the enterprise. The purpose of this strategy is to help the enterprise go through the competitive difficulty or to transfer to other enterprise type.
4. Mixed strategy is the composition of growth strategy, defense strategy and retreating strategy. Enterprises with some certain scale may not choose to process

one single strategy. They may take multiple strategies, or carry out different strategies in different department. In fact, mixed strategy balances the multiple strategies.

5.2 Principle for Strategy Choice

When making decision on strategy, the company shall not only take external environment into consideration, but also shall analyze the industry feature. The company shall grasp the best opportunity to develop and get rid of the threat on the long-term benefit and achievements from the external environment. Relevant strategy is to choose in accordance with the advantages, disadvantages and the competitive position of the company. The principle for Newlandocean to choose strategy is as follows:

1. The company shall solve the existing problems correctly and actively.
2. The company shall grasp the best opportunity to develop and get rid of the threat.
3. The company shall fully make use of the existing resources and grasp any opportunity for rapid development.

5.3 Strategy chosen by the Company

From the above mentioned analysis, we can learn that it is best for Newlandocean Company to maximize the favorable factors and minimize the unfavorable ones, grasp any development opportunity and make use of the advantages. Growth strategy is quite fit for the company. The company is to stabilize and expand the current logistics web, steadily raise market share, build up logistics strategy ally and struggle to be a special and outstanding third-party logistics enterprise. The strategic measures of the company is to adjust the organization structure to be adapted to dynamic change of the company, intensify the inner management ability and benefiting ability, building up enterprise culture and step up the competitive level by

perfecting the marketing management. Moreover, the company can develop other logistics value-added services basing on the existing resources. Building up logistics ally to defense the threat or weaknesses is also necessary. In addition, the company shall search for more commercial opportunities.

Chapter Six

Strategic Measure of Newlandocean

We can learn from the analysis on the current situation of Newlandocean that logistics enterprises, including Newlandocean, are facing the very precious development opportunities. Third-party logistics enterprises will have a glorious future for it is in line with modern economy special division trend. Meanwhile, we can learn that medium-and-small logistics enterprises like Newlandocean, with little scale, low informatization level and un-bright operation method, are facing huge pressure in the intensely competitive market. In fact, in China, development worries also hide behind the glorious logistics industry. Logistics enterprises are in uneven level, but most of them provide similar services. Few logistics enterprise excels at management. Most of the logistics enterprises are not good at resources consolidation and business handing, and of course, not able to meet the need of the new circumstances. Third-party logistics enterprise that extended from the manufacturing enterprises, as many large-and-medium enterprises see, is in fact only a part of the original enterprises. Having similar sense of value and building up similar enterprise culture are good for logistics enterprise to build good relationship with the customers. Therefore, to most of the third-party logistics enterprises in China, including Newlandocean, developing the business is very important, while enterprise culture building can not be neglected. Facing the huge temptation of development potential and great benefit of overall logistics industry, if Newlandocean, a medium-and-small logistics company, just fully goes ahead, it may be not the best choice. For one thing, Newlandocean can not compete with the current large nationwide logistics enterprises. Secondly, it may face threat from

smaller private logistics transport enterprises on flexibility and price. Therefore, the company shall maximize the favorable factors and minimize the unfavorable ones to develop its special logistics services basing on the advantages in Chengdu District. The company is to struggle to be a special and outstanding regional third-party logistics enterprise in the five years. Basing on the strategy plan, the company will adopt the following strategic measures:

6.1 Perfect the Developing Management of Human Resources

Without experienced talents who are professional in IT and logistics technology, it is hard for logistics industry to step ahead. Those who have the outstanding logistics talents may win in the intense competition. The company must optimize the inner human resources structure, raise the employee quality and build up new concept in human resources management if intending to stand firm in Shenzhen.

6.1.1 Plan Human Resources Well

The company shall predict the talents need and formulate relevant plan or proposal in accordance with the internal and external environment, and to guarantee to have the suitable talents to meet the need of the company. The changing internal and external environments shall also be taken into consideration in human resources planning.

6.1.2 Building up Reasonable Human Resources Structure

Any enterprise is composed of talents. Talents of all aspect shall be in right proportion to form a scientific structure. Therefore, the company must form a scientific human resources structure as follows.

1. Function Structure Optimizing

Various technique talents, such as financial personnel, transport personnel, dispatching personnel, information technology personnel and so on shall be engaged

to have a reasonable structure.

2. Age Structure Optimizing

Generally speaking, ability structure and age structure of talents are symmetrical. However, there may be some young talents who are rather capable of work. This is why the company needs to optimize the talents age structure, namely, advanced talents above 45 to guide, talents of 30-45 to be backbones and talents at their twenties to grope for development. According to the relevant information, generally, employees under 30 do not account for 30% of the total staff. The company shall engage more talents at age between 20 and 40.

3. Education Structure Optimizing

From the above mentioned analysis, we can learn that the employees are not well educated. There are only 4 with university education and 35 with junior college education, which totally accounts for 47.9% of all staff. Not much employees have professional logistics operation management experience and ability to organize the logistics enterprise. The company shall engage in some highly-educated logistics majored management talents.

6.1.3 Bettering Human Resources Training

The purpose of human resources training is to raise the knowledge and technical level and composite quality and ability of the employees, thus to step forward the composite competitive capacity of the enterprise. Training is the important component of human resources strategy as well as the basic guarantee for the long-range development. In theory, all the employees of the company shall take training, but due to the limited resources, training shall be planned to different employees.

1. Training of Staff in-post

The purpose of training of staff in-post is to help the employees more adapted to the

post, which is also the biggest feature of professional knowledge training. Training of staff in-post includes:

- (1) Pre-post training is ;training first and then go on post;, e.g., operation training on brought-in production equipment and so forth.
- (2) Advanced training is to educate the staff in-post with new knowledge and new technology and so on in order to raise their adaption ability.
- (3) Post-transfer training is to process training on the new post for those who transfer their post.

2. Training on Management Personnel

The management level of the principals is in relate to the achievement of each department, even deciding the success or fail of the operation activities. Train different management personnel differently.

- (1) Principal in-post raises their quality and ability on all aspect accordingly as required by the post.
- (2) Staff in-post and to be promoted is to be trained to know well of the new environment as soon as possible so as to take the post well.

3. Training on Newly-Engaged Staff

The company shall train the newly-engaged staff in the following aspects:

- (1) Infuse enterprise spirit. Train them to love the company, to adapt to the team-spirit.
- (2) Train on the basic working skill and labor organization knowledge. One is to train through attending lessons, the other is to appoint one experienced employee to guide them, till the new staff can fully take the post.

6.1.4 Building Scientific Achievement Examination System

The remuneration encouragement system is an important part of enterprise value system as well as key factor of the enterprise motion system. The company shall

build up more perfect remuneration encouragement system to encourage the employees, thus make the company standing at the favorable side in industry competition.

1. Building risk remuneration system. Risk premium proportion shall be defined due to different posts. The risk premium for leading posts is 10%-60%; risk premium for technology and management posts is 20% -50%; risk premium for worker is 15% - 30%. In this way, the income of the employees is in relation with work achievements, they will work harder and act actively in innovation so as to advance the stable development of the enterprise.

2. Perfect encouraging system. Beyond the income encouraging, the company shall inspire the employees through spirit encouraging. The company shall build up clear organization goal. Then the employees can understand the development direction of the company and they will work spiritually with hope. Besides, the company can plan to change their posts to enrich their working experience. In this way, employees may benefit great working promotion.

6.1.5 Building Scientific and Reasonable Employing System

Basing on the human resources planning, the company can engage in employees without limited to one type or one style, and to build scientific human resources management system that learn from many, award those who work hard and punish those who are lazy and rely on the advantages of the employees. Principals and employees shall be flexible in work. The company engages in advanced personnel mainly depending on inner competing, and meanwhile, external advanced professional talents mastering logistics, marketing and management are welcomed.

6.1.6 Building Fair and Just Competing System

To build fair and just competing system is not only necessary for raising the economic benefit, but also important for building harmonious enterprise culture. At

present, Newlandocean Logistics Company adopts competing method of ;mutual choice, competing for post, setting example and driving the backward; on premise that bettering the company system and to inspire the employees to work hard. (Refer to Page 48 of thesis of postgraduate of Southwest Jiaotong University.) Besides, the company shall perfect the examination system. The purpose of examination is to evaluate the working quality and basis for determining the remuneration of the employees. Therefore, the company shall learn from the employees on making the examination system and guarantee that the examination is fair and just.

6.2 Bettering Enterprise Culture Building

In the process of carrying out the company policy, enterprise culture could be the promoting factor of the policy, and it could also be conflict to the policy. So the company shall better the enterprise culture building.

1. Internal refining. Enterprise culture reflects the act trend and pursue of the employees in specific environment. It is strong inner-born, mainly depending on refined cultivate internally. It can not simply externally brought in or copied, but being made through multiples lively examples, stories, accidents, complaints and so forth. In addition, the design shall be simple and succinct. The company shall endeavor to issue slogan of ;high efficient, safe and prompt; and ; satisfy you with our price, reputation and service;. Only all the staff unified to aim at the same goal, could the company provide satisfying services to the customer.

2. Leaders of the company shall set example by their own action. The leaders of the company shall take the lead to carry out the enterprise culture. Enterprise culture shall be in close relation with life. Favorable enterprise culture shall have production factor embedded with acting ability and shall be carried out by all in every environment of the company. With the favorable enterprise culture, employee may maintain the company benefit as well at other places, and it can help employees

accept and service the management.

3. Join by all. All the employees take part in building of enterprise culture at every point on every single day.

4. The enterprise culture shall be combined with the strategic goal. Enterprise culture shall be unceasingly promoted and be a regulative system for action. In general, it is a must for the company to better the enterprise culture, either through awarding excellent group, civilized group, carrying out technical race, post examination, speech match, or through expanding training and so on, if it intends to have a team that obeys rules and regulations strictly. Employees may learn the sense of value, operation direction and other core cultures of the company through such expanding training and carry out it at every aspect at all activities. Relating the enterprise development with the staff development, the employees may one day regard the enterprise benefit and enterprise goal higher than that of individual.

6.3 Better Logistics Ally

More and more medium-and-small logistics enterprises come to realize that, only to build ally, can they co-operate to defense the pressure from large domestic and multi-national logistics enterprises. Ally is kind of organization that between the independent enterprise and the market trade, and it is comparably stable and long-term contract relationship that enterprises build for some kind of development need. Logistics ally, based on logistics cooperation, is a loose type web organization that two or more enterprises build for achieving their own logistics strategic goal through contracts and agreements. Members of the ally supplement their advantages, undertake the risk together and share the benefit. By joining ally through logistics service supplier, medium-and-small enterprises can effectively lower the logistics cost (10%-250% cost can be saved through logistics ally) and raise the enterprise competitive capacity. There are many disadvantages in logistics industry of our

country. By building ally, such enterprises can share their logistics equipment, technology, information, management, fund and others, to less reworking and reduce the cost. They can cooperate to work for their goals and lead the logistics industry become professional and integrated, and consequently, the competitive capacity of the whole industry is raised. Besides, logistics ally can help reduce related cost in trade among cooperation members. Through often negotiation, cooperation and communication, mutual reliance may come into being, so as a result, risk in carrying out the contract is reduced. Even conflict happening in service can be solved through friendly negotiation. Therefore, unending bargain, even expense on legal complaint, can be avoided. In 2007, Newlandocean Company joined six logistics enterprises in Chengdu to build a logistics ally, through which the members share transport network. Problems of transportation vacancy and over-busy can be solved. Besides, the eight ally members process internal human resources ally. They share value and concept from the higher level talents and mutually process human resources training to raise the creative capacity. Employees of the members will exchange views and so on. Newlandocean Company plans to build ally with enterprises out of the province so as to make use of the network advantages to develop logistics transport business out of the province.

Chapter Seven Conclusion

It is generally agreed that logistics is the lubricant agent of departments of national economy. The development of it reflects the development level of the whole national society. This thesis fully analyzes the current situation and existing problems of Newlandocean Company through PEST and EFE matrix, IFE matrix, SWOT analysis and other strategic management analysis. Promoting idea and direction are also discussed by the thesis. It is concluded as follows:

1. It is correct for Newlandocean Company to be a regional third-party logistics company.
2. Opportunities for Newlandocean Company: huge market space and industry space; national support and policy advantages. Threat: entering threat, substitute threat, bargaining ability of buyers, bargain ability of logistics suppliers, threat from existing competitors of the industry and threat from change of demand on logistics; Advantages: business succeeding, basically has the materials condition for developing third-party logistics, good relationship with the relevant department, young management personnel and good operation of fund; Disadvantages: weakness in management, weakness in human resources, weakness in logistics equipment and logistics service and weakness in informatization management.
3. The company shall adjust the organization structure to be adapted to dynamic change of the company, intensify the inner management ability and benefiting ability, building up enterprise culture and step up the competitive level by perfecting the marketing management. Moreover, the company can develop other logistics value-added services basing on the existing resources. Building up logistics ally to defense the threat or weaknesses is also necessary. In addition, the company shall search for more commercial opportunities.
4. Some certain safeguard measures are required to guarantee the development of

third-party logistics of Newlandocean Company. The company shall renew the service management, service concept, service content and service method, and to search for best service method with the customers in relate to the development policy. Logistics network shall be built well to service the customers better and win trust and support from customers. Business scope and fields shall be enlarged. Besides, the company shall perfect the internal encouraging system to attract more high quality talents and inspire all to join the enterprise management.

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