

Navigating German-Chinese Logistics Networks

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Successfully Developing and Managing Relationships with Logistics Service Providers in China



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endowed by the Kühne Foundation



In cooperation with:



Agenda

1. Introduction and procedure of the workshop
2. Current challenges in logistics service provider-client relationships
3. Prototypes
 - a. RFQ questionnaire
 - b. Information exchange platform
 - c. China Open Rail Initiative

Objectives of the Workshop

- Openly discuss current challenges and improvement potentials of logistics services in China
- Identify challenges in logistics service provider-client relationships from different point of views
- Jointly develop solutions for the the most pressing challenges in logistics service provider-client relationships

Two workshops will provide the framework for today's group discussions

Workshop I

Identification of challenges

Goal

- identify current challenges in logistics service provider-client relationships in the Chinese market
- selection of one challenge per group
- Detailed description of this challenge

Workshop II

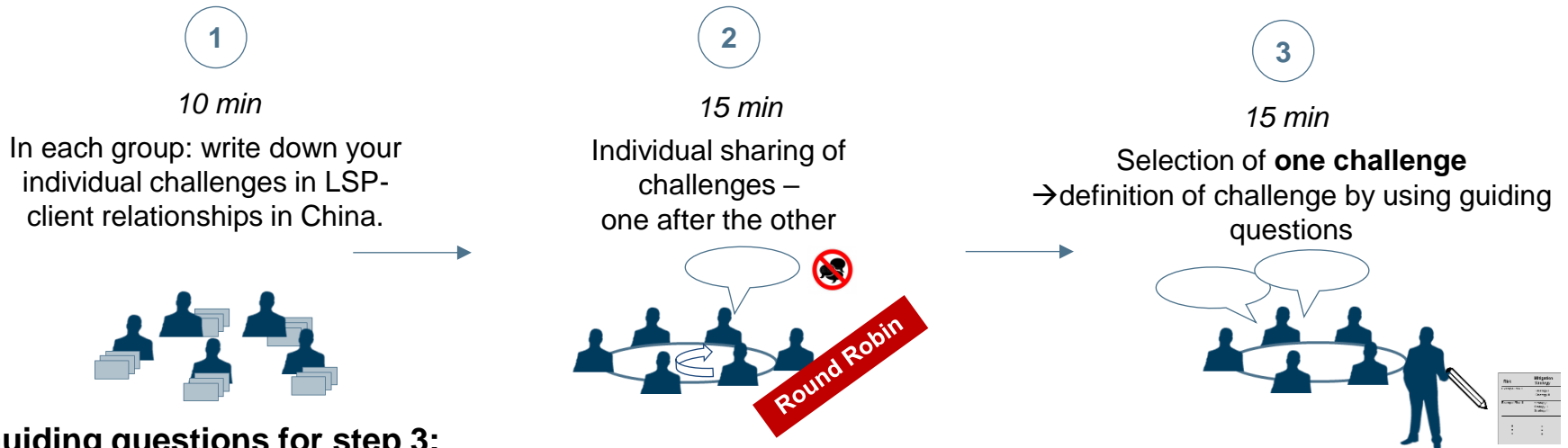
Generation of ideas

Goal

- brainstorming of strategies to cope with the selected challenge
- creation of prototype for one strategy per group

Workshop I: Identification of Needs for Action (1/2)

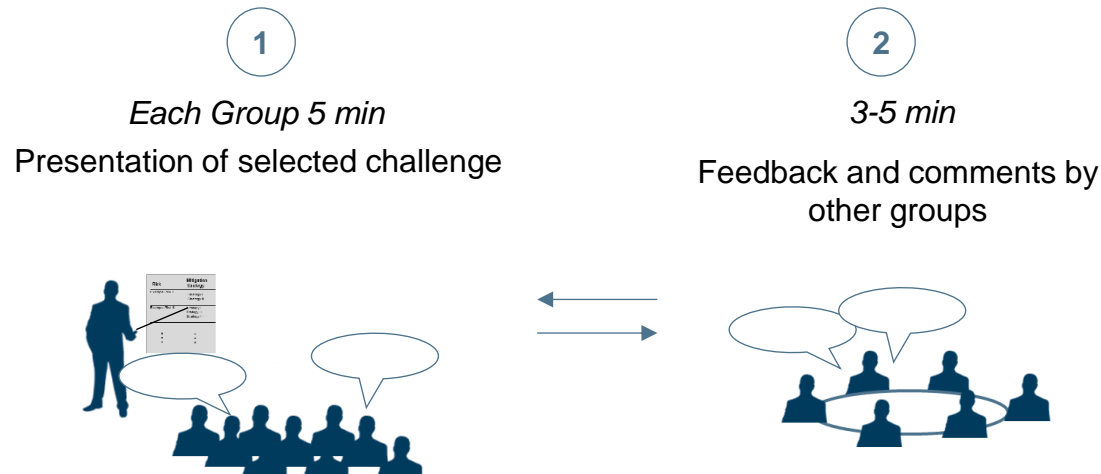
- Choose a group leader to present the results to the plenum and a time keeper to remain on track



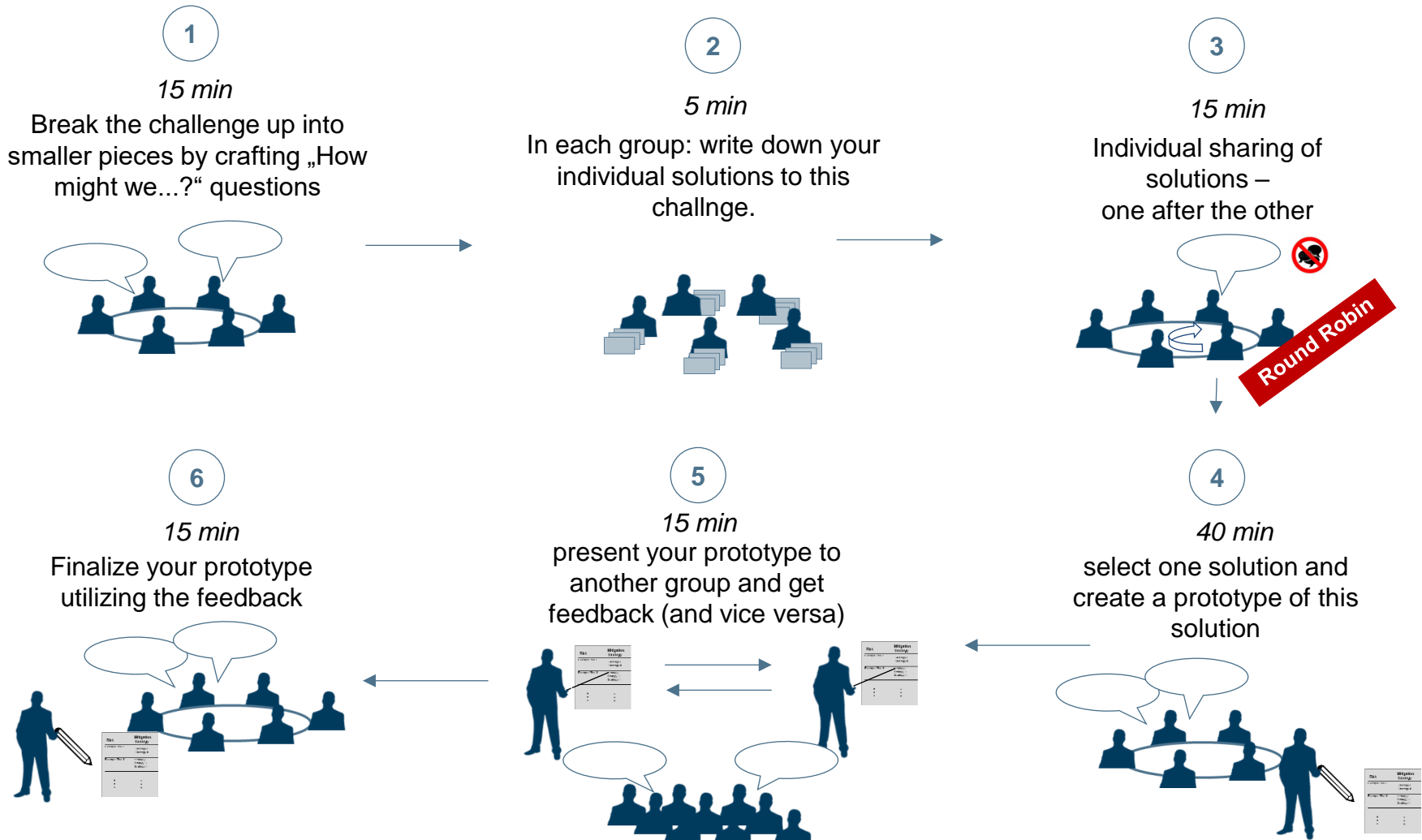
Guiding questions for step 3:

- 3**
- What is the environmental setting of this challenge (industry type, supply chain structure etc.)?
 - Which stakeholders are involved?
 - What is the problem behind the challenge?
 - When does this challenge become and actual problem to the business?
 - **What is the life-changing need that helps you to overcome the issue?**

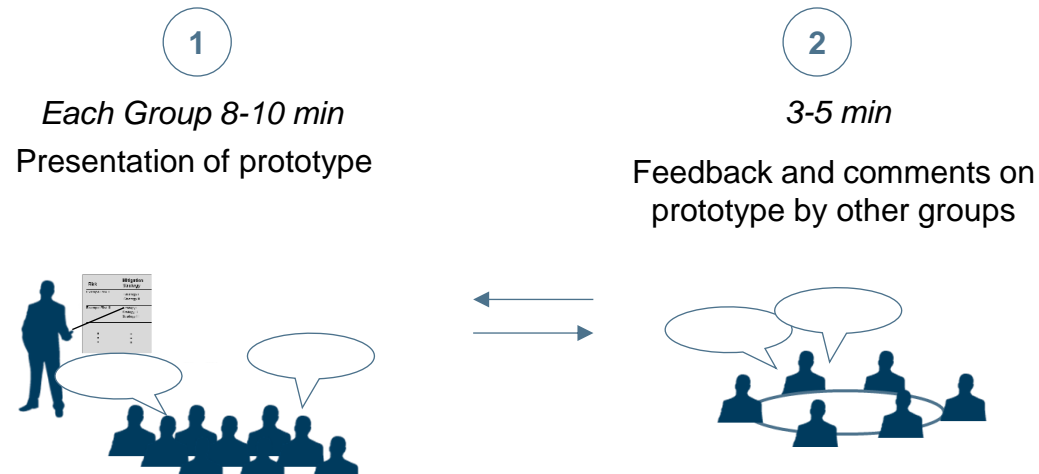
Workshop I: Identification of Needs for Action (2/2)



Workshop II – Generation of ideas (1/2)



Workshop II – Generation of ideas (2/2)



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Current challenges in logistics service provider-client relationships in China

Tender&Contract Management

- Quotations are not transparent enough to make them comparable
- conflicting goals/expectations of different department&management levels
- accurate payment of LSPs
- onerous contracts with strong compensations are dictated by the customer

Capabilities of LSP

- clients have to hire multiple LSPs, because no LSP can provide the whole package
- no KPI provision from LSPs to track performance
- problems finding qualified personnel
- Lack of customization of services (not willing to adjust, mainly offering standard services)

Innovation

- lack of innovativeness
- Innovative ideas provided by LSP become „public property“ quickly
→ intellectual property of ideas is not clear

Transport&Infrastructure

- sparse use of Chinese railway for domestic transportation
- transportation damage
- cost reduction of air freights
- customs lead time

Communication

- Lack of standardized IT system between them
- inefficient communication of problems and status(e.g. delivery times)
- no adequate pre-warning system in case of delays

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Challenge: Transparency/Info-Sharing

Problem description

- Clients do not receive enough information from their service providers in order to appropriately track their LSPs' performance.
- Clients cannot adequately detect which deviations from KPIs results in underperformance regarding agreed SLAs.
- The goal is to get information (KPIs) from LSPs that are reliable and can be interpreted the similarly from both parties.

Environmental setting

- Unreliable KPIs/Info from LSPs result in wrong decisions and hidden risks for the client.

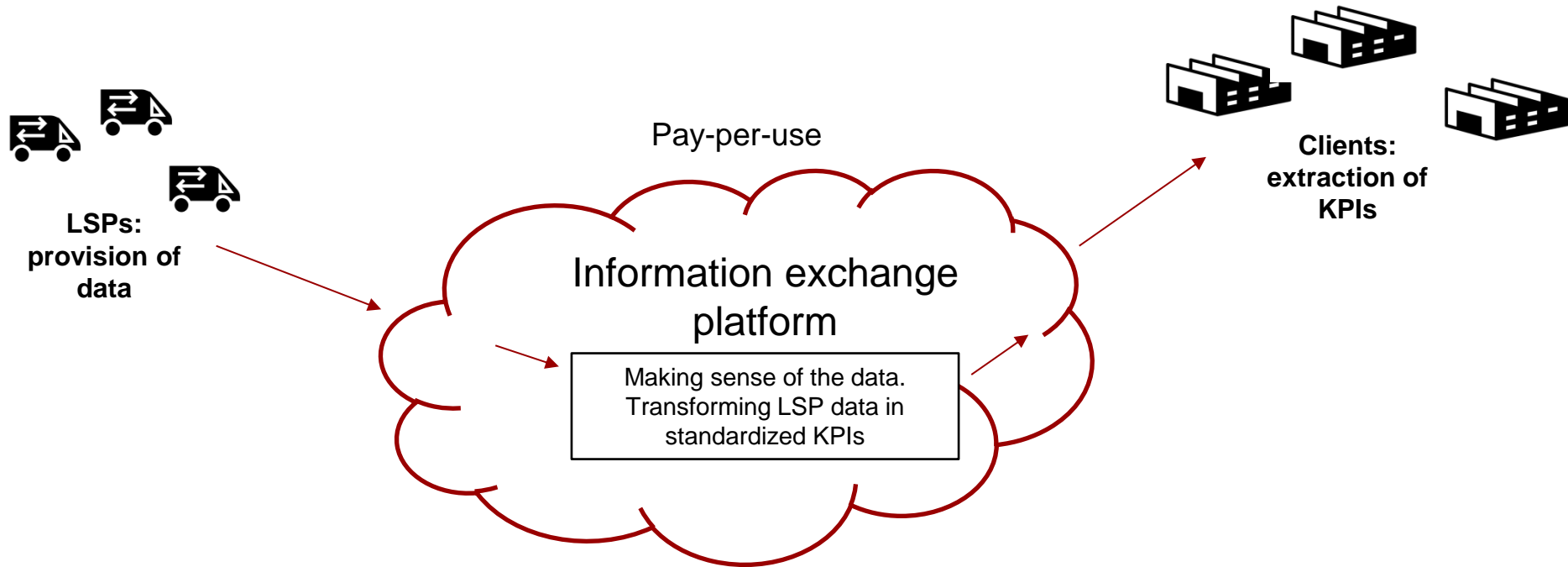
Stakeholders

- LSP
- Client

Life-changing need

On-time reliable data/info availability.

Prototype – Information exchange platform for clients and LSPs



The exchange platform collects data from all members, but online exchanges data between members who are in a business relationship.

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Challenge: conflicting goals/expectations of different department&management levels

Problem description

- currently customers are face conflicting goals/service level expectations of different departments leading to unaligned and not comparable RFQs
- Why?/What?/Who?/When?/How? are not defined properly leading to misunderstandings within the company
- not aligned KPIs
- no aligned interface between customers and LSPs

Environmental setting

- purchasing focusses on the price whereas logistics departments aim at performance and specific service level achievements

Stakeholders

- different departments at the customer (e.g. logistics, purchasing, production etc.)
- LSPs

Life-changing need

internal alignment of RFQ requirements

Prototype – RFQ Questionnaire to internally align the data of RFQ that have been requested in the past

RFQ questionnaire

Sponsor/person in charge

Background

Scope

Period

Team

Business Unit	Surname	first name
Logistics	Doe	John
Purchasing	Doe	Jane
Production	Zhang	San
...

Deadline

Service Level Agreement

Comment

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Challenge: Sparse use of Chinese railway for domestic transportation

Problem description

- Contract logistics scenarios in China only focus on truck and air shipments instead of utilizing the advantages of railway transportation
- hard to get access to the domestic rail network due to governmental regulations
- for rail transportation, freight has the lowest priority in the rail network (1. passengers, 2. food, 3. army, 4. cargo)
- Benefits of railway transportation: reliable and predictable (delivery time)
- disadvantages of railway transportation: only containerized cargo can be transported

Environmental setting

- due to traffic density, congestion and governmental regulations in and around cities truck transportation becomes more challenging
- limited railway infrastructure (and in some cases hinterland connection) at the moment

Stakeholders

- Government / China Rail Bureau
- LSPs
- Customers: manufacturers

Life-changing need

reliable, predictable and fast transportation (especially for long distances)

Generation of Ideas: „How might we...“ questions and brainstorming

How might we...

- ... make the inaccessibility of railway networks disappear?
- ... expand the railway network?
- ... identify and utilize existing capacities in the railway network?
- ... engage OEMs to invest time for lobbying at the Railway Bureau?
- ... change the existing order of priorities in the railway network (1. passengers, 2. food, 3. army, 4. cargo)?
- ... get private rail terminals?

Brainstorming

...work with Rail Bureau trail loads

...make use of academics to show the benefits of railway transportation

...analyze the existing network and identify future needs

...establish an initiative of OEMs, suppliers and LSPs to push the relevance of railway transportation at the Rail Bureau

...use joint venture partners and academics to get access to the government

...integrate the improvement of the railway network into the next 5-year plan

Prototype – China Open Rail Initiative

Combined solution

- Get access to the government through the newly founded **China Open Rail Initiative** consisting of joint venture partners/State-owned companies, academics, manufacturers, LSPs, governmental contacts like the European Chamber of Commerce
- develop a study in cooperation with Tongji University and TU Berlin that shows the economical and environmental benefits of railway freight transportation

Procedure

1. found the China Open Rail Initiative with the help of the European Chamber of Commerce and above mentioned parties
2. Apply for governmental funding (in cooperation with Tongji University) for the above mentioned study
3. Tongji University and TU Berlin conduct the study
 - Study content:
 - analysis of current network and usage and comparison to well developed countries like USA or Germany
 - estimation of future demand and needs of different industry clusters
 - quantification of environmental and economical benefits of an improved cargo railway network
 - recommendations of actions by the government to improve the accessibility and usability of the network and infrastructure
4. Trail loads and practical demonstration
5. Integration of findings and recommendations into Chinas 14th 5-year plan (2021-2025)