

Navigating German-Chinese Logistics Networks

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Successfully Developing and Managing Relationships with Logistics Service Providers in China



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In cooperation with:



Agenda

1. Introduction and procedure of the workshop
2. Current challenges in logistics service provider-client relationships
3. Prototypes
 - a. „Transparency App“
 - b. UBER for logistics services

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

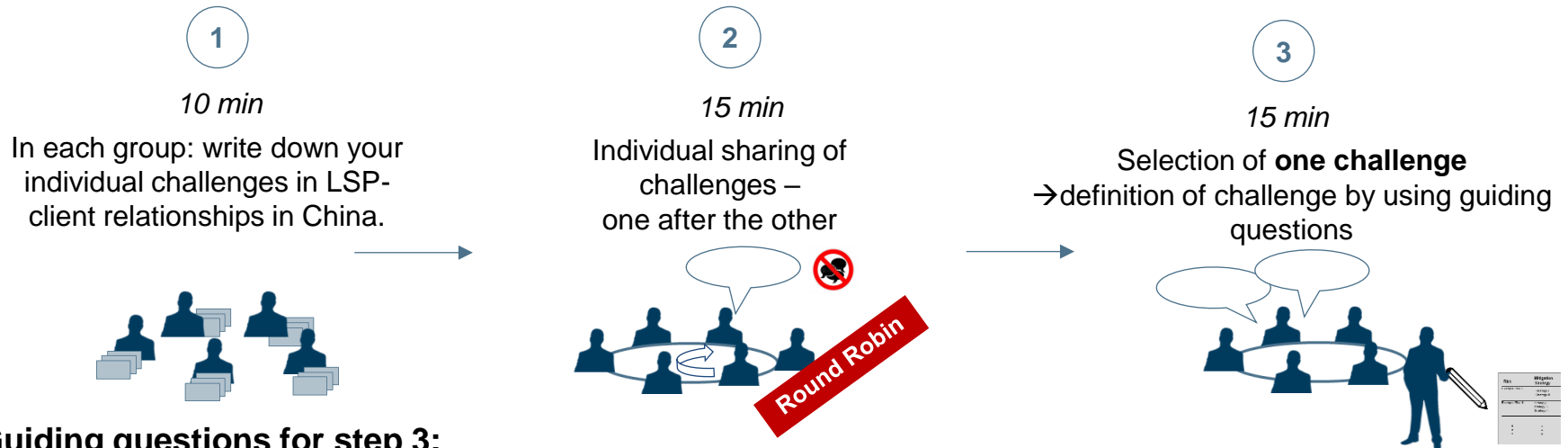
Generation of ideas

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)

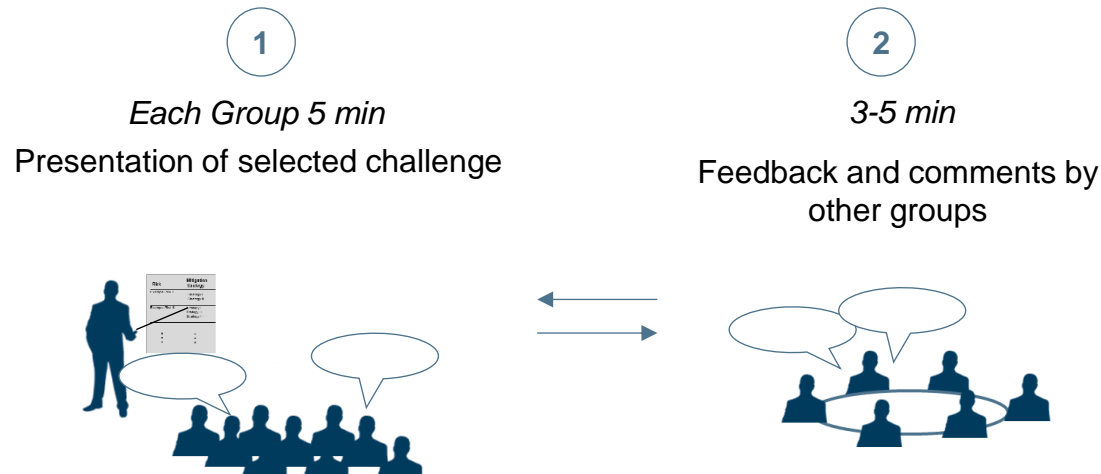
- Choose a group leader to present the results to the plenum and a time keeper to remain on track



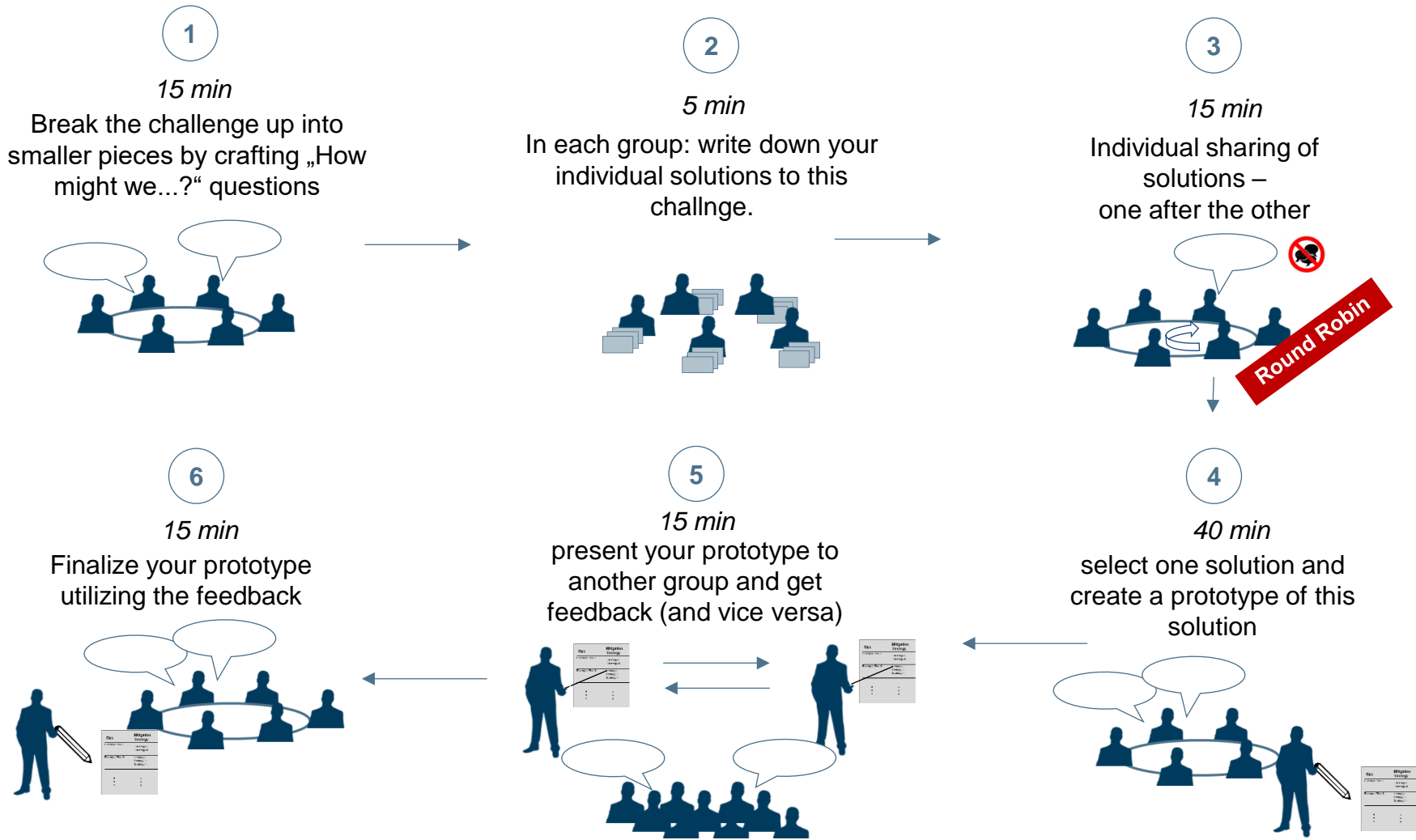
Guiding questions for step 3:

- 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?**

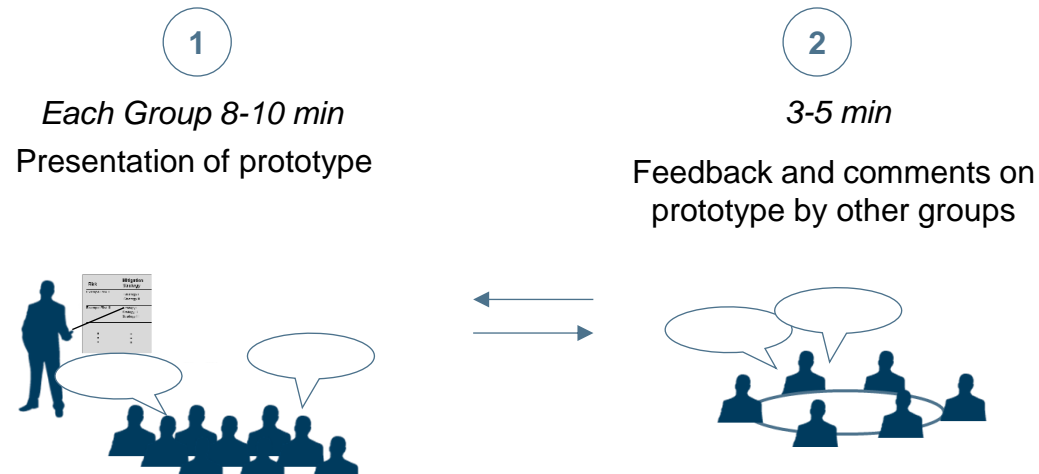
Workshop I: Identification of Needs for Action (2/2)



Workshop II – Generation of ideas (1/2)



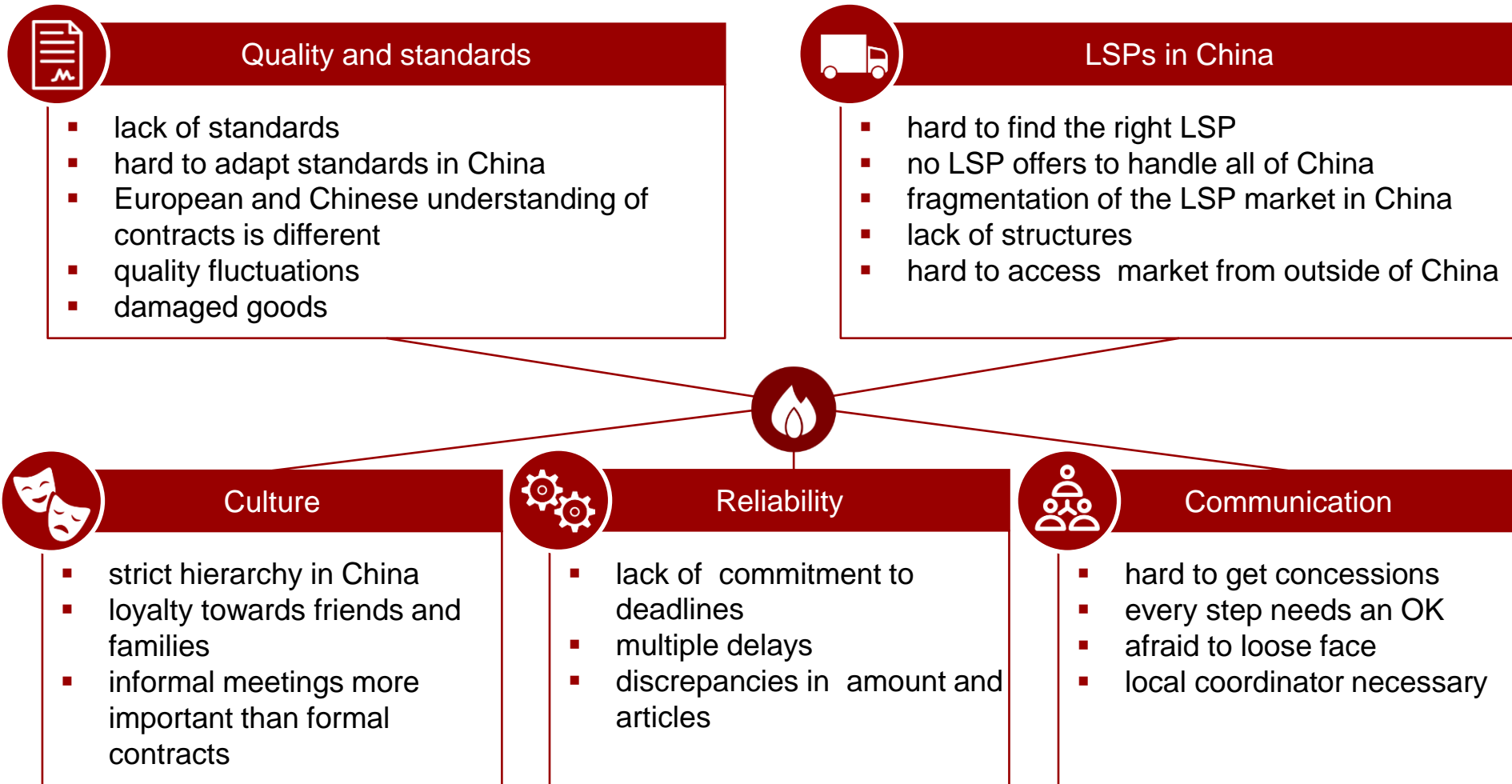
Workshop II – Generation of ideas (2/2)



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Current challenges in logistics service provider-client relationships in China



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Challenge: Supply Chain Transparency

Problem description

- Clients do not receive enough information from their supply chain members regarding the current status of their order.
- Clients cannot adequately detect whether shipments maybe delayed, carry to wrong quantity of products or maybe even the wrong products.
- The West-East-Interface, i.e. between Western buying-firms and Eastern suppliers, particularly struggle with this challenge.
- The goal is to get information from the supply chain members (in particular the suppliers) that are reliable and **close to real time**.

Environmental setting

- Unreliable/Late information about shipment status.

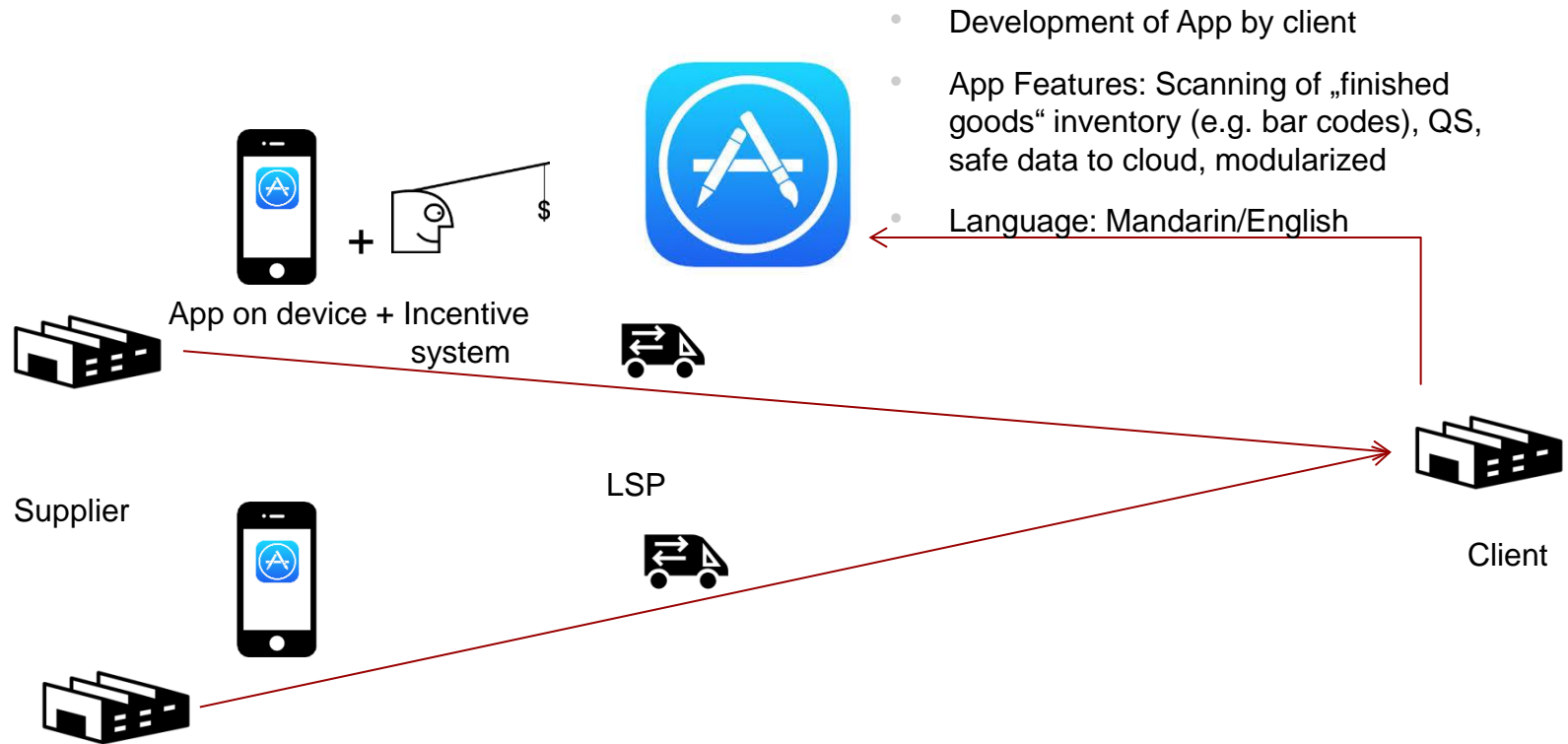
Stakeholders

- Client
- Suppliers
- LSP

Life-changing need

Close to real time information about the supply chain product status.

Prototype – Development of an App to create transparency



- Supplier's should use the App to scan all products that are finished and ready for shipment to the client. In order to incentivize correct information, „end-of-month“ incentives will be provided for „good“ use of the App.
- The acquired „status informations“ can then be shared with the LSP and other relevant supply chain members.
- User of the App could even be a third party that manages a warehouse of the customer at the supplier's sight

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Challenge: Highly fragmented and segmented LSP market

Problem description

- There is no LSP, that is able to cover whole China
- if you would like to (e.g.) set up a nation-wide distribution system for goods, you have to handle a multitude of LSPs due to the below mentioned environmental setting. This leads to:
 - time-consuming information gathering efforts
 - a high number of contracts that need to be managed
 - a high number of relationships have to be managed (Guanxi)
 - high travel expenses to meet partners
 - a multitude of different IT systems and interfaces for data exchange
 - conflicting processes and quality standards
 - lack of professionalism
 - financial and personnel instability of some LSP
 - lack of operational hardware (e.g. forklifts)
 - different regional regulations, such as bans on trucks to enter cities

Environmental setting

- Chinese LSP market consists of a very high number of small LSPs that by itself are only able to cover small areas/regions/distances
- LSPs often are specialized in certain transport carriers instead of covering all of them

Stakeholders

- Customers
- LSPs
- Government / regulating authorities

Life-changing need

efficient management of a high number of LSP in China

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

How might we...

- ... achieve a market consolidation?
- ... save time or be more efficient?
- ... achieve nation-wide standards?
- ... transfer the problem to someone else?
- ... encourage the government to setup logistics standards?
- ... cooperate with someone that has the same problem?

Brainstorming

...horizontal cooperation with not competing partners

...UBER for logistics services

...joint lobbying organization to for logistics standards

...find a Chinese LSP that is willing to consolidate the market

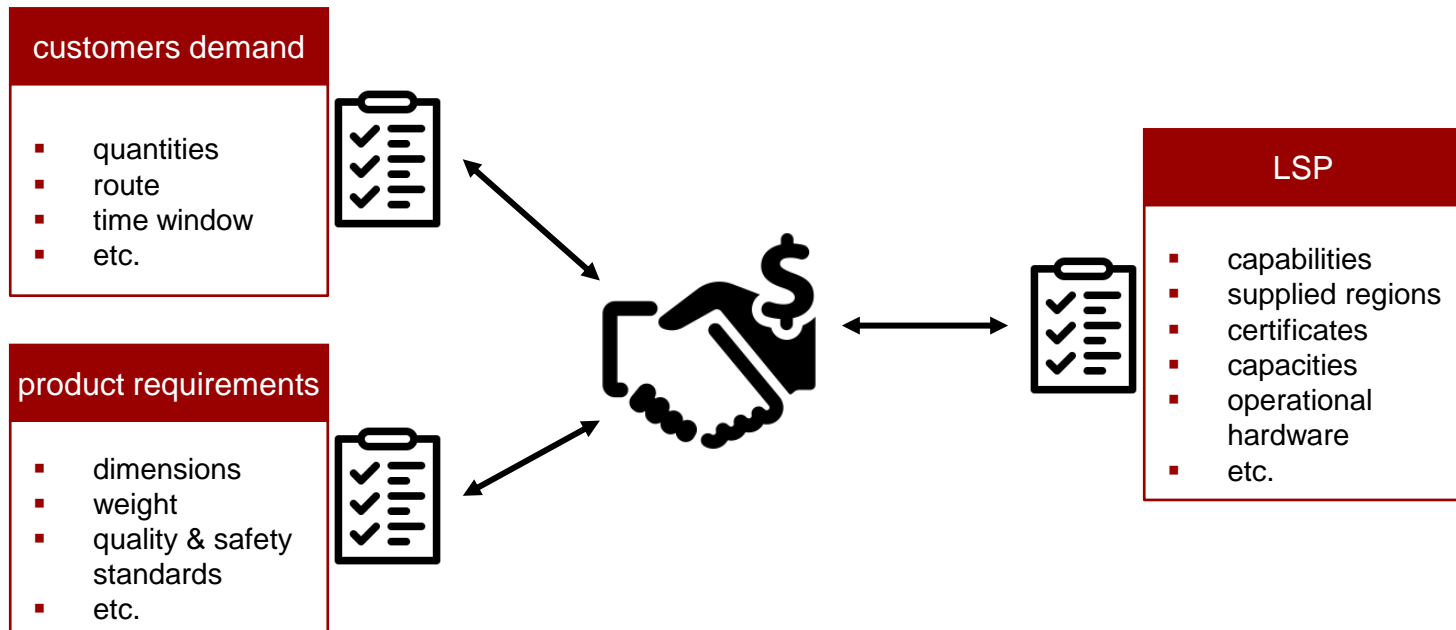
...standardized checklist/integration manual for LSPs

...develop a free-to-use app that assists smaller LSPs on providing standardized logistics services to achieve standards on the long run (bottom-up approach)

Prototype – UBER for logistics services (general idea)

Solution

- an IT platform that matches customers demand with product requirements and LSPs capabilities, capacities and qualifications
 - modular structure
 - platform has to be “Made in China” (developed and operated by Chinese people) in order to meet user requirements of Chinese LSPs
 - focusses of freight transportation first, contract logistics tendering (e.g. warehousing) will be possible in a later stage



Prototype – UBER for logistics services (modular structure)

