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HOW TO SUCCEED IN THE CHINESE EXPRESS LOGISTICS MARKET

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ABSTRACT

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With the fast growth of the Chinese economy, Chinese express logistics industry is developing quickly and it is attractive for the foreign companies who can provide excellent service around the world. However, how to market their business in China is always regarded as the key factor of being successful as the method of marketing is not the same as in the rest of world. This research aimed at finding how to market services and products in the Chinese express logistics market in order to be successful, especially from a foreign company perspective.

The theoretical framework consists of two main parts, which are a brief introduction of Chinese express logistics industry and strategic market principles. In order to figure out the character of the express logistics market and special market conditions of China, a brief introduction was given which provided the background information for this research. After that, systematic strategic marketing principles were examined with the intention of furnishing supporting theory related to the research objective.

The empirical findings described the appropriate marketing strategy or techniques which could be adopted in the marketing process of foreign companies referring in order to improve their marketing performance. The results originate from an online questionnaire and an interview with a local expert. In China, the express logistics market can be generally divided into two segmented markets, the international express market and the domestic express market. Based on the research, basically foreign companies have succeeded in the Chinese market for many years but there are still many areas that can be improved in order to keep the market superiority in future competition. Foreign companies are facing a series marketing problems and obstacles in extending Chinese domestic express market especially on how to deal the relationship and communicate with local government and institution. The most intelligent method is to change their operations to more localized and especially by hiring more local administrative executives who can provide exact marketing suggestion during the decision-making and daily operations process.

Key words: Chinese Express Logistics Market, Strategic Marketing, Foreign Company in China

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ABSTRAKT

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Genom en enorm expanderings och hållbar utveckling av den kinesiska ekonomin har den kinesiska expresslogistikmarknaden utvecklats snabbt och blivit attraktiv för utländska företag. Dessa företag erbjuder högklassig service över hela världen. Att marknadsföra sig korrekt på den kinesiska marknaden har alltid betraktats som en nyckelfaktor för dessa utländska företag. Att marknadsföra sig i Kina är svårare än i den övriga världen. Syftet med undersökningen är, att undersöka hur företag och speciellt utländska företag inom expresslogistiken kan marknadsföra service och produkter på ett framgångsrikt sätt.

Den teoretiska referensramen består av två huvuddelar som innefattar en kort introduktion av den kinesiska expresslogistikmarknaden och strategiska marknadsföringsprinciper. För att karakterisera expresslogistikmarknaden och speciella marknadsföringsförhållanden i Kina, presenteras en introduktion av studiens bakgrund. Efter det kommer en systematisk och strategisk marknadsföringsprincip att presenteras med avsikt att basera forskningen på teoridelen.

De empiriska forskningsresultaten beskriver de marknadsföringsstrategier, som kan tillämpas i marknadsföringsprocessen, för att förbättra marknadsföringen för utländska företag. Undersökningens resultat består av sammanställd information från ett webbaserat frågeformulär, samt från en intervju med en lokal expert. I Kina kan expresslogistikmarknaden delas upp i två marknader, internationell och nationell expressmarknad. Utgående från undersökningen har utländska företag hittills lyckats bra i den kinesiska expresslogistikmarknaden, men det finns förbättringsmöjligheter för att i framtiden klara konkurrensen. Utländska företag möter marknadsföringsproblem och hinder i den kinesiska expresslogistikmarknaden speciellt gällande kundrelationer och i kommunikationen med kinesiska myndigheter och institutioner. Den bästa metoden är att förändra sin verksamhet lokalt, särskilt genom att anställa fler lokala administrativa chefer som kan bistå med exakta marknadsföringsförslag under beslutsprocessen och i den dagliga processen.

Nyckelord: Kinesisk expresslogistikmarknad, strategisk marknadsföring, utländska företag i Kina

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1. INTRODUCTION

In this chapter, a brief introduction will be conducted with background of this study, research problem, limitations, and structure of this study. Firstly, the background of this study shows the reason why this research is going to concentrate on the Chinese express logistics market. Secondly, research problem describes the objective of this research and explain why it is valuable to conduct a research on this topic. Thirdly, limitation shows the drawbacks and restrictions of this research. Finally, structure of this study briefly describes the content of this study and how it will be organized.

1.1 Background of this Study

In 2010, the total expenses of logistics in China was €824 billion approximately, which account for the percentage of 18%. (China Economic Information Network 2010) Even if the percentage has declined compared with previous number but still almost two times that of the developed countries, which means the market of logistics in China has a widely prospects in the future due to for example the inefficiency and backward technology.

In addition, according to the national statement, Chinese government listed the logistics industry into the key-developing objectives during its twelfth five-years plan. Only in 2010, the relevant investment of logistic reached almost €353 billion, which than increased 23.2% last year. There is no denying that the Chinese logistics market is going to start an exceedingly fast increase. (China Economic Information Network 2010)

As the high-end and most profitable sub-industry of logistics, express industry will also benefit from the development of logistics in the future. China has been ranked the third largest express market around the world in 2011 with 27,23% average growth in next five years, which is higher than the average growth of the logistics industry. (Longteng 2011)

1.2 Statement of the Research Problem

This research aims to find how to market services and products in Chinese express logistics market in order to be successful, especially from the foreign company perspective. This research will be based on marketing theory and analysis of the general logistic industry.

According to the agreement of WTO, China has to open its logistics market gradually. Considering express logistic services, most of the biggest global companies have entered into the Chinese market already. Comparing their operations in their home market with other markets, the service contents and operation processes are quite similar, only marketing is extremely different. The Chinese express logistics market is really particular and complicated compared to the other markets due to the special political and economic system. In 2011, most of the foreign companies quitted from the domestic express market and shrink the scale of investment in China. In my opinion, the reason why foreign companies failed in the Chinese domestic market is that they did not successfully complete their marketing task considering their good reputation on the service quality.

The aim of this research is to find what kind of problems happened to foreign companies' marketing strategies and implementation procedures, and then conduct an analysis in order to find suggestions that can contribute to successful marketing for the foreign companies in China.

1.3 Limitations of this Research

Every research is limited in certain prospects, also this study. Firstly, the empirical study just investigates the individual customer and industrial information in order to find the appropriate marketing strategy in China. By reasoning of local entrepreneurs in China, they lack interest in supporting academic research. It is very hard to organize a large size survey with the business customers without any governmental support.

1.4 Structure of this Study

The first research objective is to introduce the logistics express market and describe the outlook of express logistics market situation in China. In this part, a small analysis of Chinese logistics express market will be carried out.

The second research objective is to theoretically describe how to do marketing in general in the Chinese logistics express market. The equivalent reality and situation in the Chinese logistics market will be considered as well. Therefore the theoretical study is going to be organized as a combination of theoretical concept and industrial information.

As a third research objective, an empirical study will be conducted in China based on the express logistics market. The data will be gathered by using a structured questionnaire and an in-depth interview. The questionnaire will be designed for individual customers in order to get the relevant market information. The interview is going to focus on the general express industry outlook and relevant policy and regulations. The customer survey is commonly designed for the understanding of customer satisfaction, which aims at certifying the results of the marketing strategy that the company has adopted.

Finally, a conclusion and summary will be conducted which combines the theoretical study and the results from the empirical research.

2. CHINESE EXPRESS LOGISTICS INDUSTRY

In this Chapter, a brief introduction of express logistics industry will be described and introduced especially of the outline of this industry. Besides, considering the special market character of Chinese express logistics market, the current situation of local market will be generally introduced as well. In addition, the article will also conduct an introduction of four well-known express logistics company who are main competitors in global market or Chinese local market.

2.1 Brief Industry Introduction

Based on the General Agreement on Trade in Services made by World Trade Organization, express service is defined as: Except for the service provided by the national post sector (e.g. China Post in China), another postal service provided by other logistics enterprises by using one or more transportation ways within a limited time. The destination can be domestic or abroad and the express service can be organized by private transportation mode or a public one. (Xu 2009)

Generally, the object of express services can be summarized into five categories: postal matters, parcels, fresh products, valuables, and special quick products. The expenses of express services are usually much higher than these of normal transportation but the speed is also much quicker. Most of express services are organized by air transportation, which is the fastest way of transportation using the technology of modern society. (Xu 2009)

The modern express industry started in the United States in the 1970s with the benefits of international trade and economic globalization. The express service is the fastest way of logistics services and with most satisfied customer experience and quality. With the following most obvious characters, the express service is easily differentiates from other logistics services.

Quickness: As the core factor, quickness is the central competitiveness of express company to satisfy the customer needs on the consideration of delivering in time.

Safety: Due to the enclosed transportation system, the express company can simply control the safety of customer goods through advanced monitoring

technology and information systems. From door to door, the whole transportation process can be guaranteed by the operation department and finally safely deliver the goods to the destination.

Service: The express industry can be regarded as a kind of a high-grade service industry due to it does not produce anything new. The express service aims to help the customer to achieve their needs with saving time and energy. For the business customer, the service is more and more common as a part of their supply chain management.

Specialization: The express industry achieves the combination of standardization and integrated information systems, which perfectly combine the picking up, sending, allocation, transferring, entering, forecasting, queries, customs clearance, statistics and settling accounts.

Networking: As the basis of the express industry, an impeccable network is the key factor to contribute the success of an express company. The network commonly consists of aircrafts, railway, vehicles and ships, and the network can be international or regional.

Advanced Information System: Time is money. The express industry usually applies lots of information tools and technology to encourage the high speed transportation and exact control system, which can rely on GPS, Bar Code, SOA, RFID, Bluetooth and any information technology. (Xu 2009)

The express services can be divided into different types based on different dimensions in the Chinese market. Based on delivered goods, the express services can be classified as letter, business documents and parcel. About letter, in China, the letter mail belongs to the post office's exclusive rights therefore other organization cannot operate in this business. Parcel means all goods that are allowed to be transferred by package

Based on the geographic character, the express services can be identified as international express services, domestic express services and city express services.

Based on the time of delivery, the express services can be recognized by three types basically, “Next morning delivery”, “Next day delivery” and “1 – 5 business days delivery” which depends on the company.

Based on the module of transportation, the services can be organized by the following transported way:

Air transportation: most common way in express industry

Highway transportation: as a part of a network; commonly use in city express

Railway transportation: big volumes, suitable for the Chinese situation

Water transportation: cheap but very slow (Xu 2009)

2.2 Chinese Express Industry Analysis

In 1979, the first express company established itself in China was a joint venture consisting of a Japanese company and Sinotrans Ltd. (DHL 2012) After that, the Chinese express started a fast development phase, which can be divided into three periods: during the first period the China Post company monopolized the market; during the second period private business developed fast; and during the third period foreign companies broke into the market after the joining China of WTO. In the first stage, China Post utilized the monopolized rights and strong political resources, starting express operations and quickly accounting for most of the market share. From 1993, as the central government started opening this field to the private business, a lot of private enterprises joined the express market successfully. In the same time, most of the multinational corporations which are the leaders in the global express market started to break into the Chinese express market as well but all of them had to use the joint venture business model due to governmental policy. Then, after 2005, China has opened the market for the foreign companies according to the WTO agreement. (Xu 2009)

2.2.1 Current Situation of Chinese Express Market

From 2007 until now, the Chinese express market size increased from 4€ billion to 10€ billion with 27,23% average annual growth rate and doubled within five years. (Tuan 800.Com 2011) In Chinese express market, there are mainly four types of enterprise in the competition as shown in Figure 1.

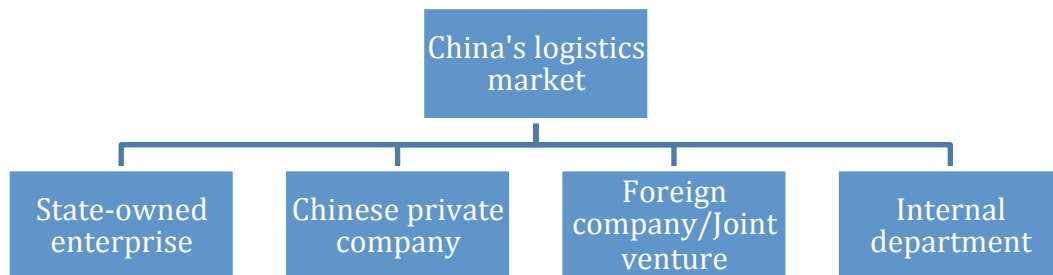


Figure 1 The types of company in Chinese express industry

The state-owned enterprise was the market leader before, but the private sector and foreign companies are replacing the situation at present. Consequently, in the Chinese express market, the main parties in the competition are the stated-owned business, Chinese private companies and foreign companies or its joint venture. Each of them has a strong position in a specific segment market as Table 1 shows.

Table 1 The market share of segment market for different types of express company (2006) Unit: % (Xu 2009)

	City express	Domestic express	International express
Stated-owned business	50	50	15
Private company	45	35	5
Foreign company	5	15	80

From Table1, it becomes obvious that the foreign companies have a monopolized market share on the international express but a weak position on the domestic market. The private companies are becoming a new star in the domestic express market. The stated-owned business is still strong in the domestic market but not as strong as several years ago. The internal department indicates the companies who owned express operation, which mostly are e-commerce companies. Considering the quality and cost performance of express service in China, lots of e-commerce enterprises choose to establish their own express service instead of outsourcing their service to the third party logistics company, especially in Business to Customer e-commerce. (Zhu 2010) For example, Amazon uses the 3PL service to deliver its product to customer in Europe but in China, due to the poor customer experience in the first years of the private express company, Amazon decided to build it own transportation network to serve the customer. This thesis aims at investigating those professional third party express service providers, so the research will focus more on the express service provider and not on the internal department. Even if they probably can affect the situation of express logistics market but they cannot do so that heavily.

In the Chinese express market, the national-owned and private enterprises are not as outstanding as the foreign competitors because of the lack of experience, capital, technology, or advanced management concept. It is a perfect time point for foreign companies to explore more market opportunities especially within the domestic express market.

2.2.2 Foreign Companies in the Chinese Market

In this subchapter, four main foreign companies will be introduced, which are FedEx Express, DHL Express, United Parcel Service, Inc., and TNT Express.

FedEx Express established in 1971 as a pioneer with the express market in the U.S.A. With the growing of FedEx, a corporation was created in 1998, which includes the business sectors of FedEx Express, FedEx Ground, FedEx Freight, and FedEx services. The headquarter of FedEx is located in Memphis, Tenn. in the United States. Today as a leader in logistics industry and one of the most admired companies (FORTUNE magazine) in the world, FedEx's revenue reached to \$39.3 billion in 2011. FedEx has more than 300,000 employees and nearly 2000 offices worldwide within in more than 220 countries and territories. (FedEx 2012)

The mission of FedEx Co. is the following:

- a. Turning in an impressive return for the shareowners
- b. Providing high value-added logistics, transportation and related business service to satisfied the customer requirements.
- c. Developing a gratifying relationship with employees, partners and suppliers (FedEx 2012)

In 1984, FedEx firstly come into the Chinese market and it has been developing fast for more than 20 years. At first, FedEx only operated its service in 60 cities but the number is over 220 right now. In 1999, FedEx established a joint venture with Datian Express Co. and then FedEx merged all of other shares of the joint venture with 400\$ million in 2006 in order to independently control the operation. China is regarded as the main market of FedEx in the future years, therefore the company built up a new hub in Guangzhou Baiyun Airport as the Asia-pacific transportation center, replacing the original one in the Philippines. (FedEx 2012)

DHL is named after its founders: Adrian Dalsey, Larry Hillblom and Robert Lynn. It is a division of a German logistic company, providing international expressing service. (DHL 2012)

Established in San Francisco in 1969, DHL has expanded its service throughout the whole world, especially in the sea services and the airmail sector. Back in 1969, at the very beginning, DHL only focused on delivering documents between San Francisco and Honolulu. Today, DHL's international network covers more than 220 countries and territories, with more than 285,000 employees in the whole world DHL also offers unparalleled expertise in express, air and ocean freight, overland transport, contract logistics solutions as well as international mail services. In 1998, Deutsche Post began to acquire shares in DHL and finally reached the majority ownership in 2001, and finished the acquirement in 2002. Today, DHL Express shares its well-known DHL brand with other Deutsche Post business units. (DHL 2012)

As for the operations, services provided by DHL have four main divisions: express division, global forwarding, freight division, supply chain division and global mail divisions. The mission of DHL can be identified as the following: focus on clients, helping clients come on global scales; being the international specialty supporting small enterprises. (DHL 2012)

Concerning the development of DHL in China, which is called DHL-Sinotrans and started in 1986 by Sinotrans limited and DHL, it is a 50/50 joint venture in Beijing. As shown in DHL website (2012), "DHL Danzas Air&Ocean China started from a rep office in 1991; Sentaifei freight & forwarding co., ltd. is a Sino-foreign joint venture registered in the People s Republic of China." With the vision of China priority, the DHL-Sinotrans has more than 6,500 employees in China in their subsidies and the company provides their services in more than 318 cities. (DHL 2012)

United Parcel Service typically referred to as UPS, is a package delivery company. It's headquartered in Sandy Springs, Georgia, United States. UPS is

well known for its brown trucks, internally known as package cars. Therefore their slogan is “What can Brown do for you?”. (UPS 2012)

UPS's primary business is the time-definite delivery of packages and documents worldwide. In recent years, UPS has extended its service portfolio to include less than truckload transportations (primarily in the U.S.) and supply chain services. There are three segments in UPS: U.S. Domestic Package operations, International Package operations, and Supply Chain & Freight operations. As a result, UPS's relationship with many of its customers has deepened to include much more than basic transportation services. (UPS 2012)

In recent years, UPS has become the biggest express carrier and package delivery company. In the first quarter of 2012, the revenue of UPS increased 13% compared to the same period of last year and reached 41 €billion. (UPS 2012)

On March 19, 2012, UPS announced that it intends to acquire TNT Express for \$6.8 billion, in a move to help expand its presence in the European and Asian markets. It is the biggest merger that UPS has ever had, which can double the amount of operations in Europe, it can even be a threat to DHL. UPS will also get access to TNT's stronger networks in the fast-growing Asian and Latin American markets, increasing the US company's global sales to more than 45 billion euros and leaving it with 477,000 employees. (Shanghai Daily 2012)

TNT Express is an international transportation company that moves 4.7 million parcels, documents, and pieces of freight every week to more than 200 countries. TNT Express provides their services on air and road transportation networks in Europe, China, South America, the Asia-Pacific and the Middle East. The company employs 83,000 people and runs a fleet of about 30,000 road vehicles and 50 aircraft. It has more than 2,600 depots and sorting centers. TNT Express made €7.053 billion in revenue in 2010. The mission of TNT is being a global team of empowered people that connects business, markets and people in a sustainable way. As an important part of TNT Express, its main business is to provide international express and domestic road distribution services. For International Express, TNT China has 34 branches and 5 international gateways.

As a leading company in the Sino-Europe international express market, TNT has been committed to the Boeing 747 cargo aircraft to operate five flights a week between Shanghai and Europe, Hong Kong and Europe, seven times a week. (TNT 2012)

For domestic road distribution, TNT provides their services with private transport network in China through TNT Hoau, which is a wholly owned subsidiary. TNT Hoau's network consists of 57 operation hubs and 1,600 depots, in more than 600 cities in China. In February 2009, TNT Hoau operated the country's first "Day-Definite" service, which now covers 29 major cities and 800 depots nationwide. The number of employees in China is more than 29,000. TNT is the first logistics company to achieve the Investor in People (IiP) accreditation. (TNT 2012)

2.2.3 The Development of Chinese Express Logistics Industry

In China, the demand for express service is quickly increasing sustained by economic growth, foreign trade increase, logistics industry development, E-commerce growth, enhancing of transportation infrastructure and policy support.

Economic growth: For any industry, the fast economic growth is defined as the macro-environment of growth. The Chinese economy has been keeping fast growth for 30 years and the tendency is still quite positive. The growth of economy is the basis of the express logistics market going to grow in the future.

Foreign trade increase: The foreign trade in China has developed many years and China is the world's factory. There are millions of countless tons of cargo departing from China to the rest of the world, which needs the corresponding logistics services as a tool of transportation. As one sub-industry of logistics, the express industry has also benefited from the increasing trade. Although the global trade is affected by the financial crisis in the U.S.A. and the European Union, foreign trade still increased 10%. (The government of P.R. China 2012) Foreign trade is likely to increase in the future. As a result the international express services will keep fast speed to increase in the future.

Logistics industry development: In 2010, the total expenses of logistics in China was approximately €824 billion, which account for the percentage of 18% of GDP. (China Economic Information Network 2010) Even if the percentage has declined compared with the previous numbers from the year 2000, it is still almost two times of the percentage compared with the developed countries. The high percentage means the market of logistics in China has bright prospects in the future due to the current inefficiency and backward technology used. The Chinese domestic air transportation has ranked the second around the world and will increase by over 10 % in the next 15 years, which is the fastest growth market in the world. (Xu 2009)

E-commerce growth: In addition, with 150 million online customers and 300 million high potential customers, the E-commerce market in China has explosively grown during the last five years and the compound growth rate was over 90%. In 2014, it has been predicted that the Chinese e-commerce market would achieve 115€ billion. Mostly, the express services part is treated as the key factor to improve the customer experience and keep the business going up constantly. Besides, the e-commerce market is still in the underdeveloped level and grows up rapidly. It should be regarded as a good opportunity for the express logistics companies. (A.T. Kearney, Inc. 2011)

Enhancing of the Transportation Infrastructure: a well-done network of transportation consisting of airport, seaport, railway and road is really important for the development of express market. As a fundamental condition, well-established infrastructure can meet the demand of express enterprises in order to provide the express service with good quality and delivering in time.

Policy support: according to the national statement, the Chinese government listed the logistics industry into the key-developing objectives during twelfth five-years plan (Chinese governmental plan, each for 5 years), which also include the express industry. Only in 2010, the relevant investment on logistic industry

reached almost €353 billion, which increased 23.2% more than last year. There is no denying that the Chinese logistics market is going to start an exceedingly fast increase. (China Economic Information Network 2010)

Basically, the Chinese express logistics market will keep fast growth in the future years. Depending on the forecast from Morgan Stanley, the compound growth of Chinese express market can reach to 30% in future years, which is four times than the average level of the world. (Morgan Stanley 2002)

3. STRATEGIC MARKETING PRINCIPLES

The most common explanation of marketing was indicated to identify and meet human and social needs. Consequently, marketing management is defined as the art and science of finding the target market, and then capturing the market to keep and improve the market performance, which depends on the basis of creating, delivering, and communicating the superior customer value. (Kotler & Keller 2012)

In this chapter, the strategic marketing and tactical marketing will be defined and described, taking into account the express logistics market. When we are talking about marketing management for a modern company, strategic planning is always placed on the first position as the primary factor, which is taken into consideration. (Lancaster & Massingham 2011) Strategic marketing includes four steps as Figure 2 shows. As the beginning, the first part is probing, which mostly presents the marketing environment analysis. The second step is partitioning segmentation, which is to describe how to segment the market. The next step is prioritizing targeting, which is based on the segmentation. The last one is positioning.

After strategic marketing has been described, tactical marketing will be introduced, including the traditional marketing mix elements, which are product, price, place, and promotion, and adding the process, physical evidence and participants as three extra elements particularly for the express logistics market. Indicated by strategic marketing, tactical marketing is more detailed in the process of marketing and implementation perspective.

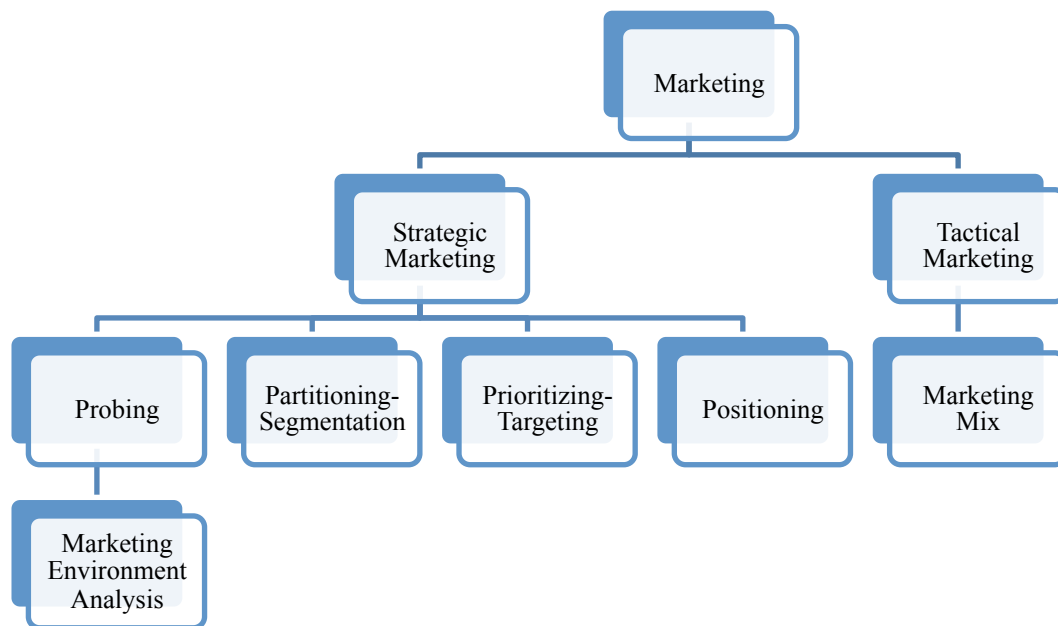


Figure 2 The structure of marketing strategy for Chinese logistics industry (Dong & Chen 2010)

The extreme customer satisfaction should be regarded as the final purpose of market strategy planning, which is provided by the logistics company with qualified and customized service. (Dong & Chen 2010) Marketing theory always emphasized how to satisfy the customer needs and wants. Unlike tangible products, the express service is harder to market for the companies because of the intangible character of express service. Considering that China has a very complex and special culture compared with the home countries of most foreign express companies, a theoretical study will be more significant before breaking into the market.

3.1 Strategic Marketing

Strategic marketing is defined as a kind of a managerial process for a company to develop and maintain the objectives, skills and resources and its changing marketing opportunities. The purpose of strategic marketing is going to shape or re-shape the business and products of a company in order to achieve the target profits and growth. (Kotler & Keller 2012) For the logistics market in China, the most significant steps for a strategic marketing planning can be summarized as probing, partitioning-segmentation, prioritizing-targeting, and positioning. (Dong & Chen 2010) Considering the complicated national situation of China, the most important part of the probing could be the marketing environment analysis. Besides, the other three steps are typically procedures of the strategic marketing planning, which are market segmentation, target marketing, and then positioning to the corresponding customer needs and requirements. Effective target marketing requires the marketer to identify and profile various groups of customers and confirm their needs and wants (segmentation); then to choose one or more market as the target market to entry (targeting); finally for each target market, to plan and establish the distinguishing benefits of the company's marketing offering (positioning). (Kotler & Keller 2012)

3.1.1 Probing

Probing is the premise of any kind of business operation and also regarded as the first step to get into a new market. The purpose of probing is to investigate the information in order to find the exact demands of customer and statistical information of competition within the market as well as the industry background and general information. (Dong & Chen 2010) Actually, probing aims to capture the marketing insight, which includes marketing environment analysis and conducting marketing research.

Marketing Environment Analysis: In the first decade of the 21st century, the globalization and economic integration encouraged more companies utilizing the international resource to meet the global market and the needs of customer around the world. (Kotler & Keller 2012) For the multinational corporations, the

marketing environment analysis comes to be truly significant before they break into any new market and plan any marketing strategy.

The environment can be classified as the macro environment and microenvironment of which the first one focuses on the external factors of a company and another one emphasizes on the internal factors of the industry. Besides, the internal situation and resources can be identified as the intra-firm environment. The intra-firm environment is to evaluate the competitiveness of a company. (Lancaster & Massingham 2011)

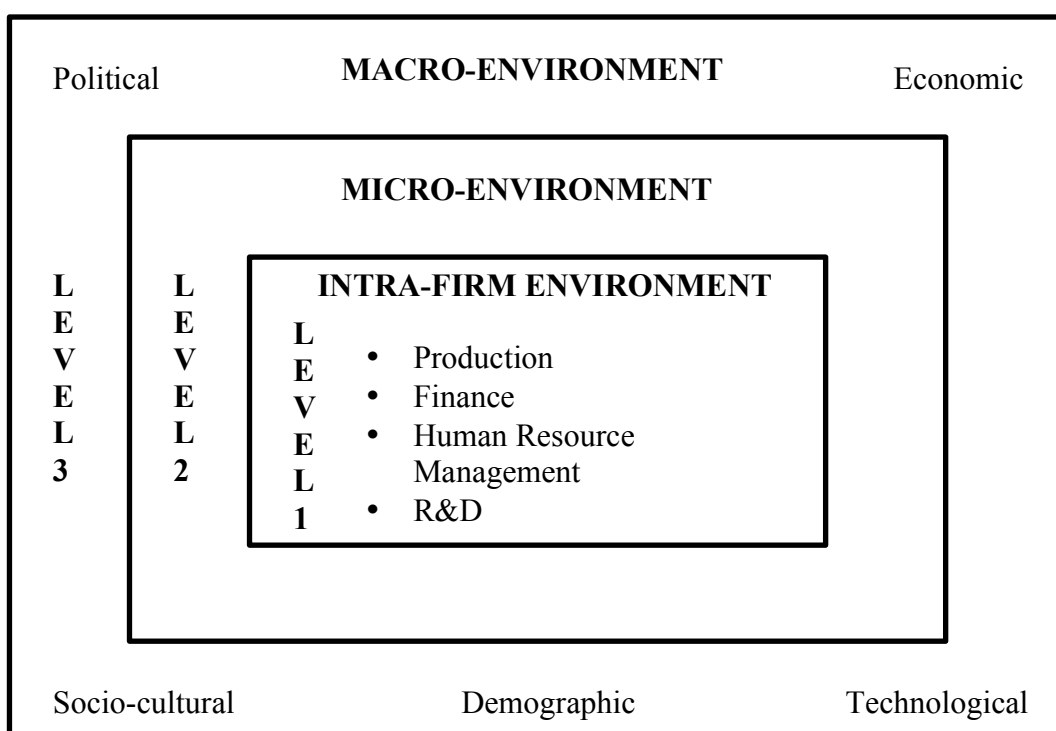


Figure 3 Layers in the environment (Lancaster & Massingham 2011)

As we can see from Figure 3, the different environments can be arranged in layers sequence and every environment involves some elements to measure the situation.

The environmental analysis also can be regarded as the method to find opportunity for a company. It is one of the most significant tools which provide evidence to support the marketing strategy making and forecast the future trends. (Dong & Chen 2010)

Analyzing the Macro-environment: Although there is countless amount of macro-environment factors, we could summarize those into six main categories, which are the most vital factors that firms should noticed. (Kotler & Keller 2012)

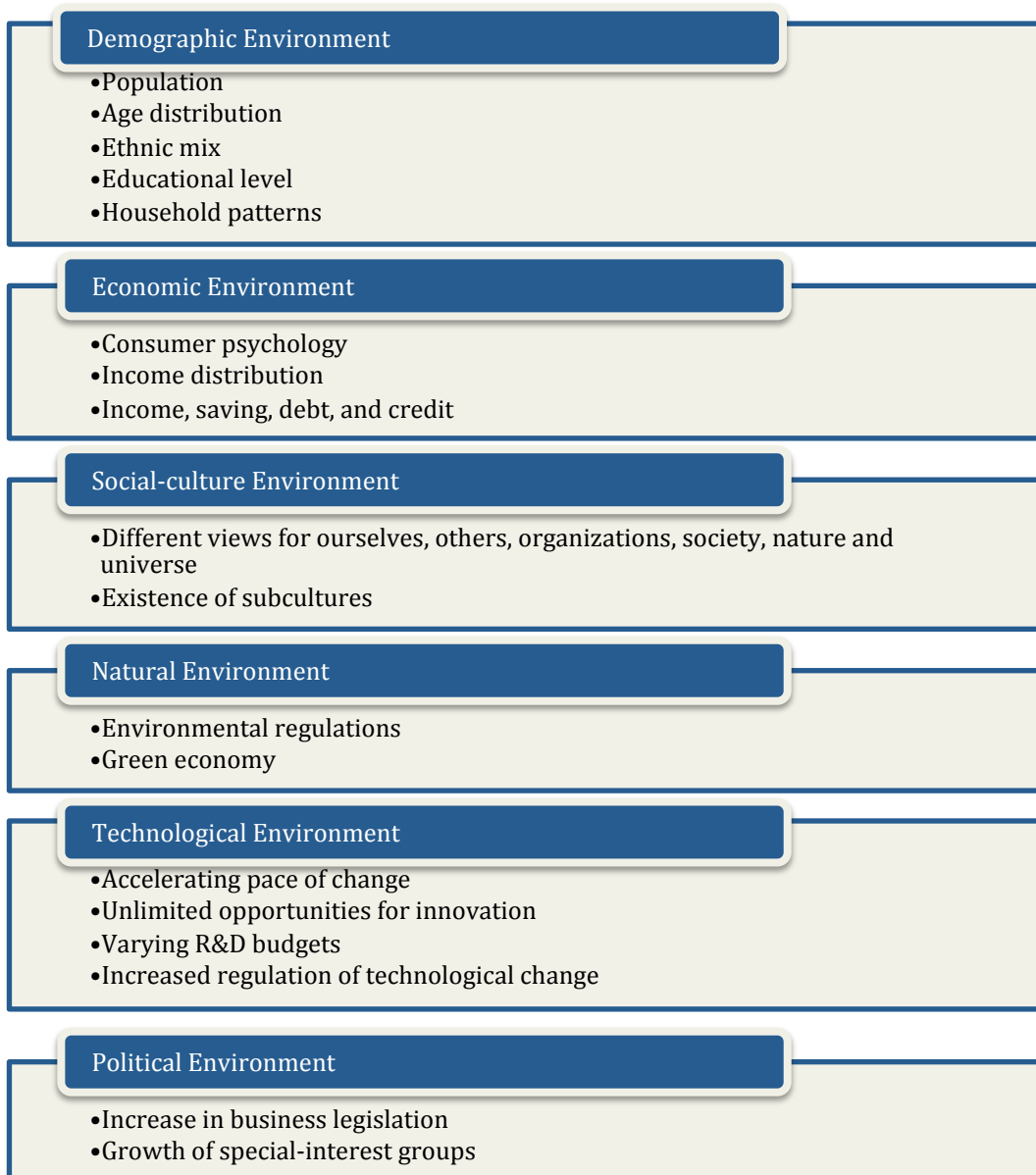


Figure 4 Macro Environment Factors (Kotler & Keller 2012)

Figure 4 generally shows the structure and the main point of the macro environment. It should be noticed that every industry is specific therefore when we are going to analyze the environment, it is better to choose the exact and relevant points to match up the needs of the industry.

Analyzing the Micro-environment: The micro-environment is slightly hard to differentiate with the other two layers considering it represents the middle-level environmental factors. It is not totally unrelated with the internal company but it is not entirely related neither. Compare with the macro-environment, the micro-environment can be controlled by the companies themselves even it is not as easy to control as the intra-environment. (Lancaster & Massingham 2011) Usually, the following factor should to be considered when analyzing micro-environment: supplier, customer, competitor, public, external marketing services, and distributors

The reason why we have to consider those elements is that establishing strong relationship with those characters can contribute to the market success and constitute the company's value delivery network. (Armstrong & Kotler 2010)

Analyzing intra-firm environment: The intra-firm environment analysis focuses on the internal factors of the company such as production, finance, human resource management and R&D (Research and development). Unlike the macro-environment and micro-environment, the intra-environment can be completely controlled, monitored, and developed by the company without any unexpected effects. In fact, the marketing management has to be based on the other functional area within a company. Similarly, decision taken by other department can also affect the performance and ability of marketing on its role. For example, if the operation department of a logistics company cannot deliver a specific good in time to the destination, whatever marketing does as its effort, the customer will not trust them anymore. (Lancaster & Massingham 2011)

It should be highlighted that the intangible factors such as human resource management and R&D are hard to be exactly evaluated, so the company has to do careful analysis on those kind of factors. (Dong & Chen 2010)

3.1.2 Partitioning-Segmentation

In the market, companies cannot reach all customers by using only one product or service. But they could divide the market into different parts depending on the groups of customer or the customer needs and then do the preparation for each segment market they are going to target. Identifying and satisfying the target market is always regarded as the key factor in order to successfully break into a new market. (Kotler & Keller 2012) The segmentation is a process to divide the market according to different elements and dimensions, which are related with the right customer needs and requirement.

Bases for Segmenting Consumer Markets: For the consumer market, the dimensions of segmentation usually are recommended by some researchers as geographic, demographic, and psychographic, which are commonly used in the segmenting consumer markets. Other researchers try to segment by looking the consumer behavior. All of those dimensions can be used if the method is suitable for the specific situation. (Kotler & Keller 2012)

Geographic Segmentation: the geographic segmentation divides the market according to the different geographic unit such as nations, states, regions, countries, and cities. Normally, according to the segmentation, the company can operate their business in one or a few areas, or in all of areas but differentiate the business strategy in distinct areas considering the characteristics of local area.

Demographic Segmentation: Defined by Kotler and Keller (2012): “the demographic segmentation is the primary consideration of a consumer product or service due to there are many factors are included, , age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class.” Those factors can directly separate the different customer needs and what they want.

Psychographic Segmentation: the psychographic segmentation is the science of psychology, which can get a deep and comprehensive recognition of customers.

Behavioral Segmentation: in behavioral segmentation, the customer can be divided on the basis of their knowledge of, attitude toward, use of, or response to a product. (Kotler & Keller 2012)

Basically, the consideration of business market segmenting are partly same with the consumer market segmenting such as geography, demographic, but business market has its own special variables for the segmentation. (Lancaster & Massingham 2011) Table 2 shows the most important variables we need consider when we do the business market segmentation.

Table 2 Major segmentation variables for business markets (Kotler & Keller 2012)

Major Segmentation Variables for Business Markets	
Demographic	<ul style="list-style-type: none"> • Industry • Company size • Location
Operating Variables	<ul style="list-style-type: none"> • Technology • User or nonuser status • Customer capabilities
Purchasing Approaches	<ul style="list-style-type: none"> • Purchasing-function organization • Power structure • Nature of existing relationship • Nature of existing relationship • General purchasing policies • Purchasing criteria
Situational Factors	<ul style="list-style-type: none"> • Urgency • Specific application • Size or order
Personal Characteristics	<ul style="list-style-type: none"> • Buyer-seller similarity • Attitude toward risk • Loyalty

3.1.3 Prioritizing – Targeting

After the segmentation, the selection will follow up for developing the market segments. The targeting can be defined as a process to evaluate the segmented market in order to select which market should be focused at. (Dong & Chen 2010)

For the evaluation of effective segmentation, five key criteria should be carefully contemplated:

Measurable: The size, purchasing power, and characteristics of the segments should be possible to measure.

Substantial: The segments have to be large enough on the size and profitability to provide the product or service of company.

Accessible: The segmented market has to be able to serve and extend in an effective way.

Differentiable: The segments can easily differentiate with each other and respond significantly to different marketing-mix elements and programs.

Actionable: The segments have to be implemented in the real market and be attractive for the company. (Kotler & Keller 2012)

Evaluating and Selecting the Market Segments: The evaluation of the market segments not only need consider the overall attractiveness of the segment market but also need to take the objects and resources of company into account. (Kotler & Keller 2012) According to the segmentation theory, the target market can be identified by 4 categories:

Full market coverage: applying the full market coverage, the company is going to serve all of the customer groups with all of product or service that they could

provide. This method is appropriate for the large company with abundance in resources and strength.

Multiple segment specialization: with this strategy, the company is going to choose several segment market as their target market and provide the corresponding product and service to each market. The company can also attempt to this strategy by product specialization or market specialization. The difference is that the former sells a certain product to several different markets but inversely the latter concentrates on serving many demands of a particular customer group.

Single-segment concentration: with single – segment concentration, the company would like to focus on the only one particular market. This strategy is good for SMEs or when company has advantage on some particular market on the technology, resource, and other aspects. (Kotler & Keller 2012)

3.1.4 Positioning

The market positioning is defined that the company builds up a distinct and powerful brand image in the target market according to the customer needs and wants in order to vividly transfer the company's value and acquire the brand identification from the customer. (Guo & Pang 2011) When the companies are selecting the target market, they should consider the positioning as well to achieve the goal and purpose of the target marketing strategy. (Hu & Sun 2011)

The following process can be used in the determining of market positioning:

- a. Competition analysis
- b. Identify the purpose of business
- c. Evaluation of the self-resource
- d. The function positioning
- e. Transmission of company's positioning on brand image (Hu & Sun 2011)

3.2 Tactical Marketing – Marketing Mix Elements

The marketing mix theory is commonly referring tactical marketing in order to implement the marketing strategy and to deliver superior customer value. (Armstrong & Kotler 2010)

3.2.1 Product

The product is defined as anything either tangible or intangible goods that can be delivered to the market and satisfy needs or wants of the customer. (Armstrong & Kotler 2010) For the express logistics market, the product is obviously regarded as an intangible product that is service. One theoretical model used when analyzing products or services, is the product layer model where product or service is seen to consist of a number of levels. When analyzing the different product levels, express service can be classified as the following:

Core benefit is the fundamental level of product, which indicates the basic service or satisfaction for the exact needs of customer. (Kotler & Keller 2012) For express service, the core benefit is the transportation service.

Basic product is the secondary level, which shapes the form and the way the product or service, satisfy the needs. (Kotler & Keller 2012) For the express service, due to it is intangible character; the company should focus more on the brand image building to transfer their value to the customer. (Hu & Sun 2011)

Expected product is the third level, which is defined as any kind of expectation from customers related to the product when purchasing behavior has happened. (Kotler & Keller 2012) The safety and delivering in time can be regarded as the expected product level for express service. (Hu & Sun 2011)

Augmented product is the fourth level, and it means that the company can provide satisfaction for the customer's needs exceeding the normal expectations. (Kotler & Keller 2012) For example, consulting, customs declaration, or inspection can be identified as the augmented product for express service. (Hu & Sun 2011)

Potential product is the final level, which aims at satisfying all possible needs from customer. It is common way for companies to develop its product in order to

win the future competition. (Kotler & Keller 2012) In the express market, the potential product could be, for instance, educational service for the customer's employees, which is referring how to finish the declaration during the international trade. (Hu & Sun 2011)

Brand strategy should also be significantly considered referring product strategy. If we consider that the express service are really intangible and the customer does not have any visible evidence to evaluate the quality of the service, the brand image can become an extremely significant criterion for the purchasing decision. Figure 5 shows the major brand strategy decisions, including brand positioning, brand name selection, brand sponsorship and brand development.

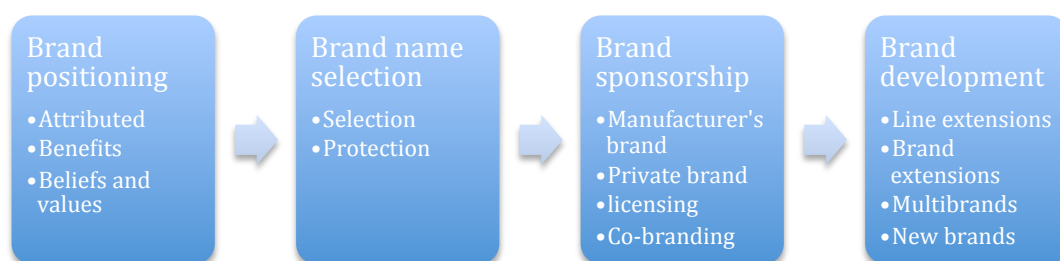


Figure 5 Major brand strategy decisions (Armstrong & Kotler, 2010)

Brand positioning: The marketer needs to locate their brand carefully and clearly in an appropriate position in order to target the demands of customers. With three levels of attributes, benefits, and beliefs and values, the best choice is to position in the beliefs and values perspective. (Armstrong & Kotler 2010) Especially for the foreign express company, the intangible product nature and cross-cultural background require that the company clearly and appropriately transfer their core values to the Chinese customer in order to reach good marketing performance.

Brand name selection: A good brand name is successfully increasing the value to the product sales result. (Armstrong & Kotler 2010) For the foreign company, they usually need to transfer their name from other language to the Chinese. How

to keep the original value of the brand and be attractive in Chinese will be the key factor of the translation. For instance, FedEx translates their brand name depending on the meaning, which is quite successful. The Chinese name is obviously showing that FedEx is from United States and good at express service. UPS also translate their name directly but the meaning in Chinese is somewhat uncomfortable due to the Chinese language code.

Brand sponsorship: The brand sponsorship refers to four different types of brand, namely national brand, distributor brand, licensed brand, and co-brand. (Armstrong & Kotler 2010) For most of the foreign express company at the moment, such as UPS, FedEx, TNT, they use the national brand after they merged the share of Chinese partners of their joint venture. DHL still use co-brand in China due to its operation is still organized by joint venture.

Brand development: Basically there are four main methods to develop their brands, which are line extension, brand extension, multibrands and new brands. (Armstrong & Kotler 2010) The multibrands strategy is quite popular in the logistics industry. Actually, FedEx Group has a lot of sub-brands, FedEx Express, FedEx Freight, and FedEx Ground, and every brand show its target market clearly. (FedEx 2012)

3.2.2 Pricing

As the only one element of market mix, which can produce revenue, the others just produce cost. The pricing strategy is simply complicated and difficult due to it is influenced by various factors, involving the company, consumers, competitors, and the marketing environment, also affected by the which market should be targeted and brand positioning. (Kotler & Keller 2012) But on the other hand, pricing strategy is the easiest element to adjust unlike the product, distribution, and promotion. Indeed, in the real business, the price can change a lot in different situation and it actually needs to be flexible depending on the market changes. (Kotler & Keller 2012)

Factors to consider when setting prices: When a company is setting the prices, a series of factors should be considered in order to get a good market performance.

Pricing objectives: the purposes can be divided into three different kinds, namely maximum of investment return rate, market share priority, and profit priority. (Hu & Sun 2011) Considering the different purpose in different period, the company should apply the corresponding pricing strategy in right period to match up the best value of the business.

Company and product cost: the cost is normally treated as the most significant factor when the company is going to decide the pricing strategy. For the company, the price should be in direct proportion to the cost. (Hu & Sun 2011)

The market and demand: according to the theory of economics, the price also decided by the relationship of supply and demand in the market. When the supply is higher than demand, the price will decrease; when the supply is less than demand, the price will increase. (Armstrong & Kotler 2010)

Competitor's strategies and prices: when the company is considering the pricing, it is always important to put the competitor's strategies and prices into consideration. Due to the customer usually compare the prices between different companies for a similar product or service, then make the judgment for the price based on the product's value. (Armstrong & Kotler 2010)

National policies and regulations: the pricing strategy also needs to observe the relevant policies and regulations in China. (Hu & Sun 2011) There are some laws to avoid the cutthroat competition, price-fixing etc.

Logistics industry environment: as one sub-market of logistics market, the environment such as transportation infrastructure, related governmental policies, and educational level of employees also influence the express service pricing. (Hu & Sun 2011)

In addition, **pricing strategy** can be summarized as the following methods.

Cost-based pricing commonly used and traditional pricing strategy, which is cost oriented and aims at a fair rate of return for the product or service. (Hu & Sun, 2011) This strategy can be classified by three different categories, which are cost-plus pricing, target profit pricing, and break-even pricing. (Armstrong & Kotler 2010)

Value-based strategy is the pricing strategy, which utilizes the customer's perceptions of value, not the company's cost as the key factor to pricing setting. (Armstrong & Kotler 2010) In this strategy, the most important step is influencing the customer perception by other marketing mix elements in order to improve the added value of the product or service. Figure 6 shows the process.

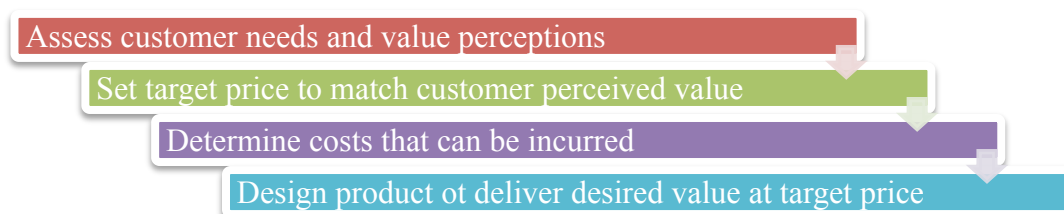


Figure 6 Value-Based Pricing (Armstrong & Kotler 2010)

Marketing-Penetration pricing indicates the pricing strategy, which applies a relatively low initial price in order to penetrate the market and get more market share. (Armstrong & Kotler 2010) Besides, the strategy can attract a large amount of customer in a short period with huge sales volumes but at the expense of some profit. It is a particular strategy which can be used when the company is going to launch their new product to the market or launch the product to a new market.

3.2.3 Place – Marketing Channels

The place, also named marketing channel or distribution, which is a process that included different types of organizations who depend on each other in order to distribute the product or service to the customers. (Hu & Sun 2011)

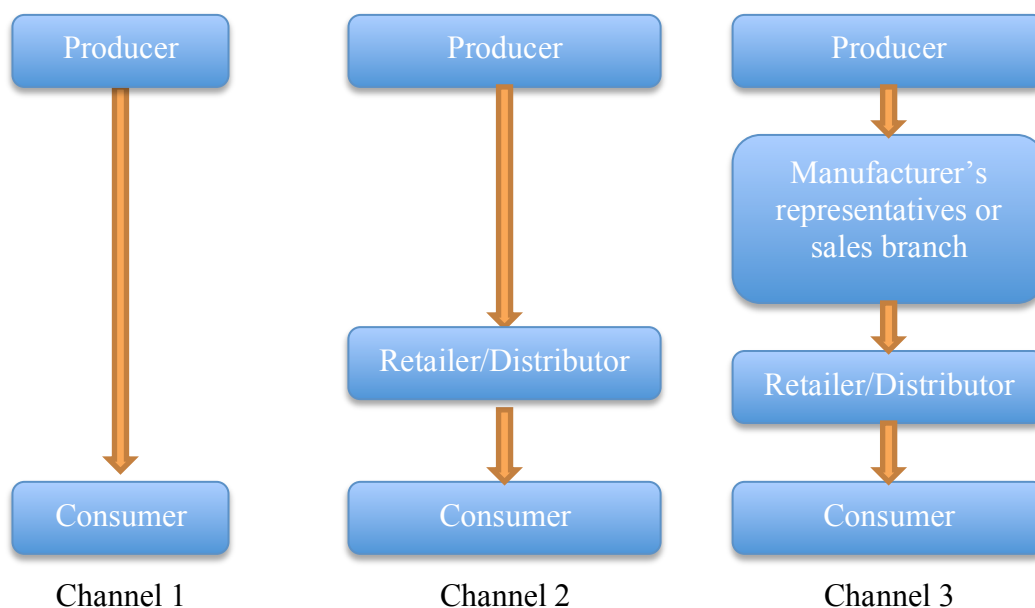


Figure 7 Marketing Channel

Basically, marketing channels can be defined as either direct or indirect ones. (Lancaster, Massingham, 2011) **Direct marketing channel** is shown in Figure 7 as channel one, where the producers directly sell their product or service to the customer without any intermediary. (Armstrong & Kotler, 2010) In Chinese express market, the direct marketing channel is commonly and especially used in the distribution strategies of big enterprises. (Hu & Sun, 2011) For instance, DHL, UPS, and FedEx, their own e-commerce website to directly sell their product to both individual and business customers. It is easy to register on the website, and each customer has his own account in which he can upload the picking up address, make appointment of picking up, and even make the payment at the website.

In the **indirect marketing channel**, like channel 2 and channel 3 showed in the Figure 7, there are intermediaries between the producer and customer such as distributor, retailer, representatives, or sales branch. (Armstrong & Kotler 2010) Unlike the tangible products, the express service cannot be transferred because of

its intangible character. However, the intermediaries just take the responsibilities, which are sales service and information carrier. So the effects of direct marketing channel are relatively limited. But there are still some benefits for using indirect marketing channel:

- Compared with direct marketing channel, the cost and risk is lower
- In some district or area, it is easier to catch up the customer needs and strong relationship in local society by using local distributor
- Improve the market coverage of the express market and enhance the market share
- Extend the information sources (Hu & Sun 2011)

In Chinese express market, most of foreign companies have used the combined distribution strategy including both direct and indirect marketing channels. For the both strategies, the service still processes by the express company and they can easily handle the quality control in order to provide a perfect purchasing experience for the customer. (Dong & Chen 2010) Actually, the foreign companies make the distributor to do their effort on the sales, which can be regarded as partly outsourced sales service. However, they never allow the distributor or any intermediary participate in their operations like some private Chinese company do. (Hu & Sun 2011)

3.2.4 Promotion

As a crucial part of customer relationship, the communication is very important and attractive for the company in order to communicate their positioning values to the target customer. (Armstrong & Kotler 2010) The purpose of promotion can be summarized as follows: stimulating the interests and recognition of the company for customer; persuading the customer to purchase the product or service; establishing and maintaining the brand image and reputation; maintaining relationship with target customer. (Hu & Sun 2011)

To be successful in terms of communication, a total promotion mix exhibited in Figure 8, also called marketing communication mix, is recommended for the company to organize their promotion strategy in visible. (Armstrong & Kotler 2010)

Advertising: the promotion activity that can reach geographically dispersed customers and usually can produce a long-term effect to enhance the brand image. (Armstrong & Kotler 2010)

Sales promotion: short-term excitement to stimulate the purchase or sale of a product or service. (Kotler & Keller 2012)
The response from customer normally is strong and quick by applying this method. (Armstrong & Kotler 2010)

Personal selling: this method is the most effective way in the later period of the buying behavior especially when the company is going to satisfy the individual needs of customer. (Kotler & Keller 2012)

Direct marketing: with the exact target customer location or contact method, the company can organize the direct marketing by using mail, telephone, e-mail, or the Internet to communicate with the customer directly. (Armstrong & Kotler 2010)

Public relations: establishing the good relationships with relevant parties of the company and handling any harmful news, unfavorable rumors and events or any other negative things. (Armstrong & Kotler 2010)

Figure 8 Promotion mix

Through the different promotion mix, two strategies can be used in the marketing communication, push strategy and pull strategy. **Push strategy** indicates that the express company utilizes the sales person and intermediaries to promote the product or service for target customers. (Hu & Sun 2011) Figure 9 describes the flow chart of the push strategy.

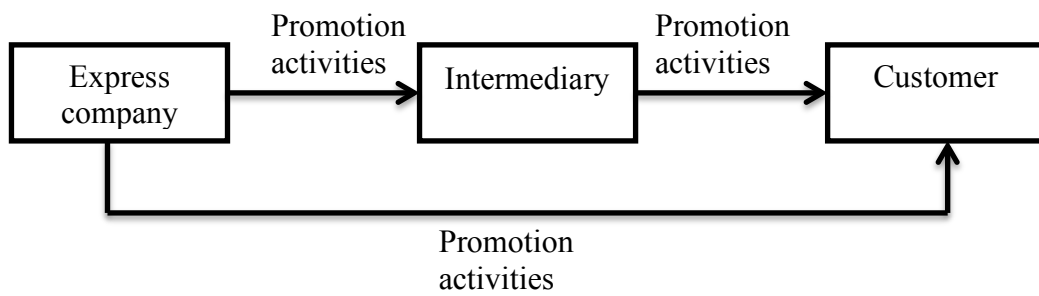


Figure 9 Push strategy

Push strategy requires a number of employees and relevant participants to implement the business activities. And it always need make agreement between the company and intermediary for the product or service promotion. With the lower risk, short return period, and less time of activity, the push strategy is usually organized as the promotion activities like personal selling. (Hu & Sun 2011)

Oppositely, the **pull strategy** means the express company begins an advertising campaign to deliver the information of product or service to the customer in order to encourage the purchase willingness and stimulate the demand of market, and then attracts the intermediary to join the marketing channel and sell the product or service to customer. (Hu & Sun 2011) The flow chart is defined in Figure 10.

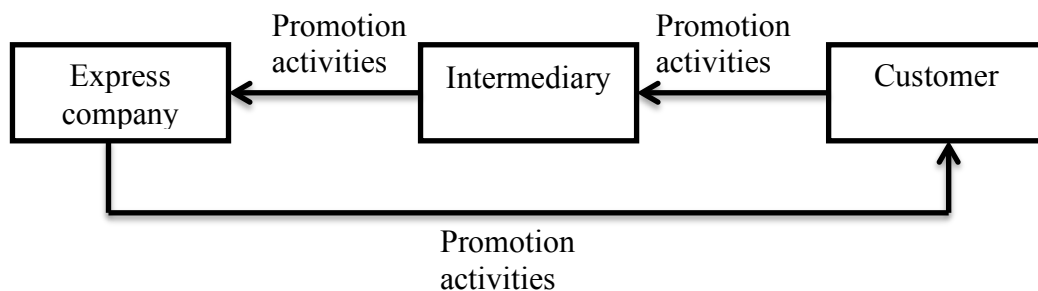


Figure 10 Pull strategy

3.2.5 The Other Marketing Mix Regarding Express Market

Except for the most classical 4Ps (price, place, promotion, product), every industry probably needs to consider more marketing mix elements particularly if the product is a service. During the process of express service, there are three basic elements especially for logistics service, process, physical evidence, and participants. Through the various logistics equipment, the express service can increase the added value of the tangible goods for business customer, and also can satisfy the personal needs for the individual customer. (Hu & Sun 2011) Besides, one of the most influential factors which can affect the customer satisfaction, is the participants who might be the courier, telesales, personal sales or anybody who join the process of service. So the quality formula of express market can be simply summarized as following:

$$\text{High service quality} = \text{Process design} + \text{Advanced equipment} + \text{Excellent employees (Hu \& Sun 2011)}$$

The process includes a series of procedures from the service design until to the module of service transmission. The high degree of integrated service system can obviously improve the quality of the service. (Dong & Chen 2010)

In express service, the physical evidence mainly indicates the infrastructure of transportation, the transport equipment, delivering tools or other tangible and physical stuff of which can be used in the service production. (Hu & Sun 2011) The physical evidence plays an important role in the process of express service and becomes the key factor to control the quality that is displayed as delivering in time and safely.

The participants or people are defined as all customers, operational employees, and other related people. (Hu & Sun 2011) As one of the most important marketing mix elements in express market, participants play a key role in every procedure within the marketing process. The participants from the company, has to be cohesive inside of the firm and active outside of the company in order to provide perfect service for satisfying the customer needs.

4. RESEARCH METHODOLOGY

When a business researcher will investigate certain issues, research methodology always should be considered at pre-design period in order to systematically design and implement the research process also including data processing. (Sachdeva 2009) Besides, with an increasingly study for research methodology, it is more and more important to solve social and economic problems in effective way. Research indicates that utilizing the systematic method to search for potential information on a certain topic. (Phophalia 2010) There are three different types of research, exploratory research, descriptive research and causal research. (Sachdeva 2009) This research should be defined as the descriptive research, which is going to describe the situation of Chinese express logistics market and provide suggestion for foreign companies.

4.1 Research Methods

Commonly, the discussion of research methods will be mainly conducted between quantitative method and qualitative method based on the fundamental requirement of the research problem. (Jha 2008)

Quantitative method is frequently defined as hypothesis testing research, which is typically regarded as traditional research method It is common that the quantitative method is applied in the form of a questionnaire with variables designed in order to find answer to the research problem. (Sachdeva 2009)

Qualitative methods are basically defined as different things to different people, which is a kind of methods required that researchers need to organize customized research for specific respondent depending on the personnel character. Qualitative method includes the studies use and collection of a number of empirical materials such as case study, personal experience, life story, and interview etc. Qualitative data are gathered through detailed description of situations, people, observed behaviors, thoughts and excerpts or entire passages from documents etc. In addition, the internal validity, external validity, reliability and objectivity are very significant factors, which is hard to control especially during the qualitative method process. (Jha 2008)

In this research, a combination of quantitative and qualitative method will be used in the empirical study considering the particular market situation of China in order to get valid and reliable results for the study. As a quantitative method, a questionnaire will be designed to capture the character of Chinese express logistics market. As a qualitative method, the researcher is going to make an interview with an expert of Chinese express logistics industry combined with some personal experience and observation.

4.2 Research Implementation

As the Figure 11 shows, the process of this research will start with questionnaire design and end up with data analysis of interview.

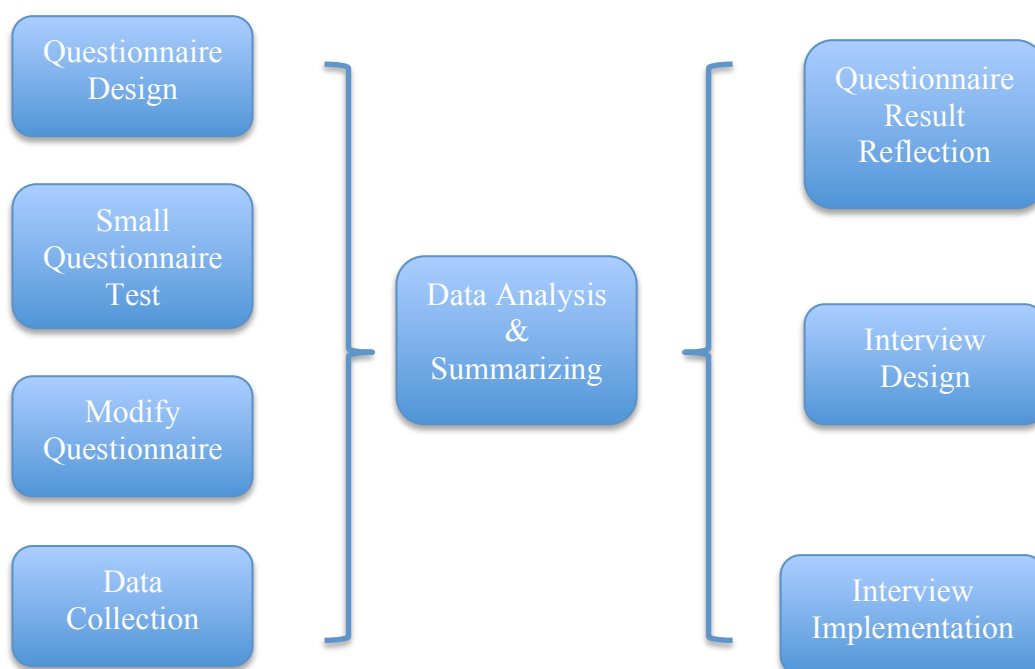


Figure 11 Research process

Questionnaire design means that researcher designs the questionnaire based on the theoretical study and situation of Chinese express logistics market. Targeting on the individual customer, the questionnaire includes 25 questions in a logical sequence on the professional survey website, which means the different respondent will answer different questions to get more reliable result.

Small questionnaire test means before the questionnaire will be opened for the major respondents, a small size test is organised in order to find problems and drawbacks such as language mistake or misunderstanding of the questionnaire. Appointed respondents will provide the feedback personally to the researcher by a telephone or face-to-face discussion.

Modify questionnaire indicates that after the feedback comes back, the researcher will modify the questions and correct the mistakes.

The next step is to open the questionnaire on a public website and send invitation to potential respondents. The data collection time is around four days.

Questionnaire data analysis and summarizing means that after completing the data collection procedure, and analysis will be conducted, after which a summary of the result will be presented. The main method for data analysis will be SPSS and Excel.

Questionnaire result reflection: in order to provide reliable to support for the interview, the researcher will reflect the result carefully.

According to the reflection of last step, four questions will be designed for the interview as the indication when discussion happens between the researcher and expert.

The interview will be conducted based on the pre-designed interview questions, but a flexibility of discussion is taken into account, which means the expert can reveal more information on the Chinese express logistics market due to the limitation of research knowledge and understanding of this market.

Interview result analysis and summarizing means after the interview, all information from the expert will be analyzed

4.3 Validity and Reliability

Validity and reliability are two very significant measurements used to evaluate the research results. They are independent factors but also are related with each other. Actually, a research should be valid and reliable as same time in other to achieve the research objective effectively. (Sachdeva 2009)

Validity indicates that the outcome of a research has been valuable and valid. (Jha 2008) As an instrument of measurement, validity is the most critical criterion that is supposed to measure in a research. (Dhawan 2010) It is very significant to be concerned that a valid conclusion does not need to be true rather it has to be in accordance with the rules of a research. The rule of validity is established in the scientific community. (Çakir 2012) Therefore, validity mostly focuses on the evaluation of whether the research actually measures its research objective and purpose. In addition, validity can be classified as three types from different perceptions, which are content validity, criterion-related validity and construct validity. (Dhawan 2010)

Reliability indicates the consistency or repeatability of the measurement. (Colosi, 1997) When the same result is produced over and over again, then this measure can be considered reliable. (Sachdeva 2009) There are two methods that can be used to improve the reliability of a research from stability and equivalence aspects. Firstly, standardizing the conditions for the measurement is very important to ensure the reliability which will improve stability aspect. Secondly, when conducting the research, the directions for measurement should be prudently designed to avoid any variation from group to group in order to improve the reliability from the equivalence aspect. (Dhawan 2010)

In this research, the total sample is 289 respondents, which includes both people visiting the questionnaire by chance and people who received invitation. Among the whole sample, there are 214 respondents who have answered the questionnaire therefore the response rate is 74%. Basically, the simple size is relatively enough to provide the reliability for this research. Data collection and analysis is conducted by using the professional software and relying on the website. Therefore, the result of the questionnaire is valid from the statistical perspective.

There were 20 respondents who did not have the experience of any type of express logistics services. In order to improve the validity and reliability of the research, for those 20 respondents, the survey was stopped after they chose “No” as answer for the first question.

About the face-to-face interview, the experienced expert was carefully picked up depending on the objective and main topics of this thesis. Due to he is knowledgeable and with over 15 years marketing work-experience in Chinese express logistics market, the validity of reliability of the qualitative research can be ensured in certain extent.

4.4 Brief Introduction of the Respondents

The information of the respondents is introduced and summarized in this chapter.

4.4.1 Expert Interviewed

For the interview, the researcher invited an expert who is very familiar with Chinese express logistics market. According to the requirements of this expert, who asks to remain anonymous, detailed information will not be introduced in this research. Generally, he used to work in EMS express marketing department for many years, and now he is working in China Post and Chinese Logistics Institution at same time in a senior role. He has worked in Chinese logistics industry over 20 years and has experienced the development of the Chinese logistics industry. Now, he acts a senior manager in China Post of Beijing and senior consultant of Chinese Logistics Institution.

In addition, even through he has worked for the competitor of foreign express companies so far, but he will provide an objective and neutral opinion and information from the academic perspective, which are not confidential for his company. Therefore, this research will not violate any privacy or commercially confidential information of any company.

4.4.2 The Respondents of the Questionnaire

The main method of data collection was the quantitative survey, and the respondents of the questionnaire will be briefly introduced.

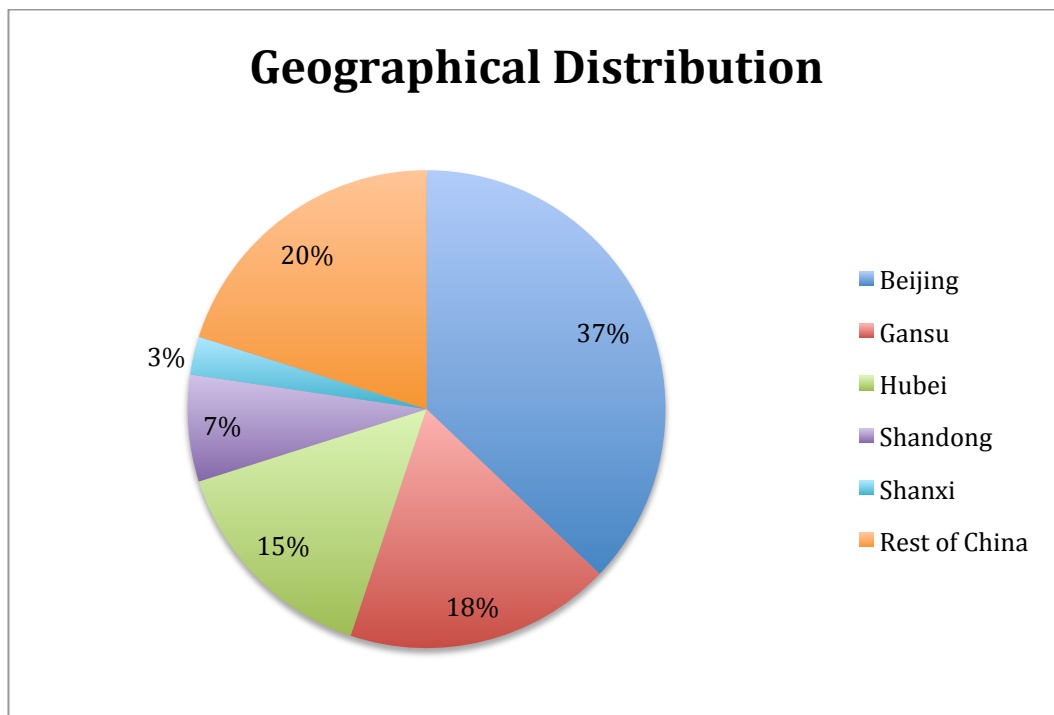


Figure 12 Geographical distribution of questionnaire respondents

The geographical distribution is not an average representation of China as it is hard to do so in a totally random sampling. Generally, if we consider that China can be approximately divided into two areas, a relatively developed area and an undeveloped area, then the percentage of each area is close to 50%. (See Figure 12)

When looking at the gender, male respondents account for 51.55%, which is quite balanced with the share of female respondents with 48.45%.

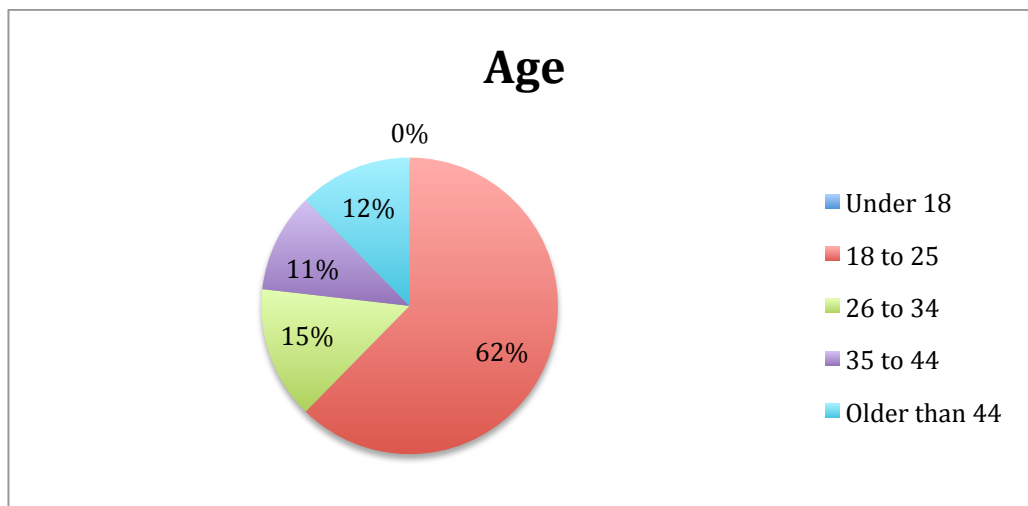


Figure 13 Age of respondents

There is not any respondents are under 18 years (12%) old due to they usually are not purchasing decision makers in China. Most of respondents are 18 to 25 (62%) years old who can be identified as young people who from the largest customer group of ecommerce and who regularly use the express service. 12% of respondents are 35 to 44 years old and 15% are 26 to 34 years old. (See Figure 13)

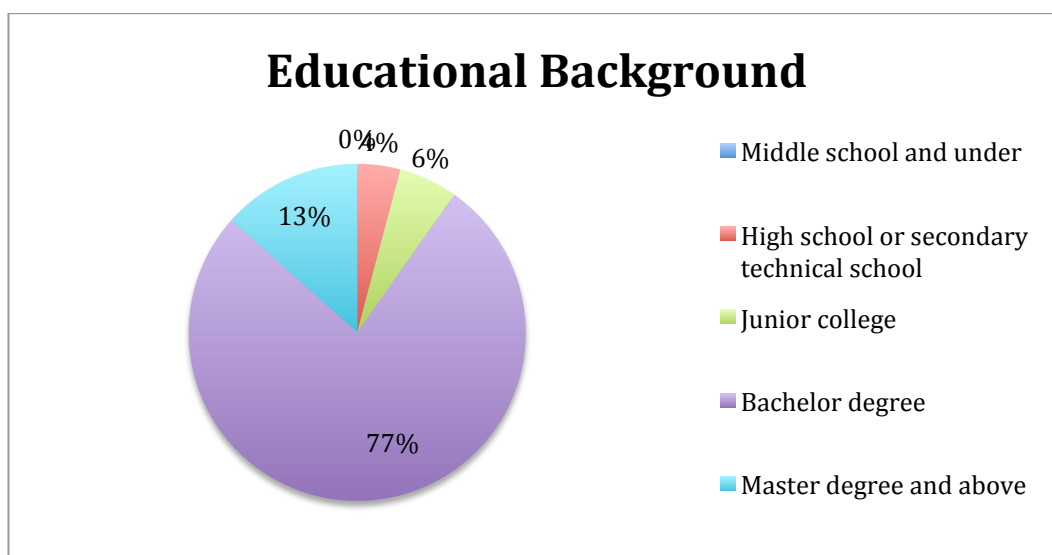


Figure 14 Educational backgrounds of respondents

In Figure 14, the educational level of the respondents is presented. Most of them (77%) have a bachelor's degree and nobody has a middle school or a lower

degree, some have master degree on above (13%), 6% of the respondents have junior college degree and 4% have high school or secondary technical school degree. So, most of the respondents have received a relatively high level of education. Therefore we could suppose that the purchasing power of the respondents is also higher than the average purchasing power of the totally of Chinese people.

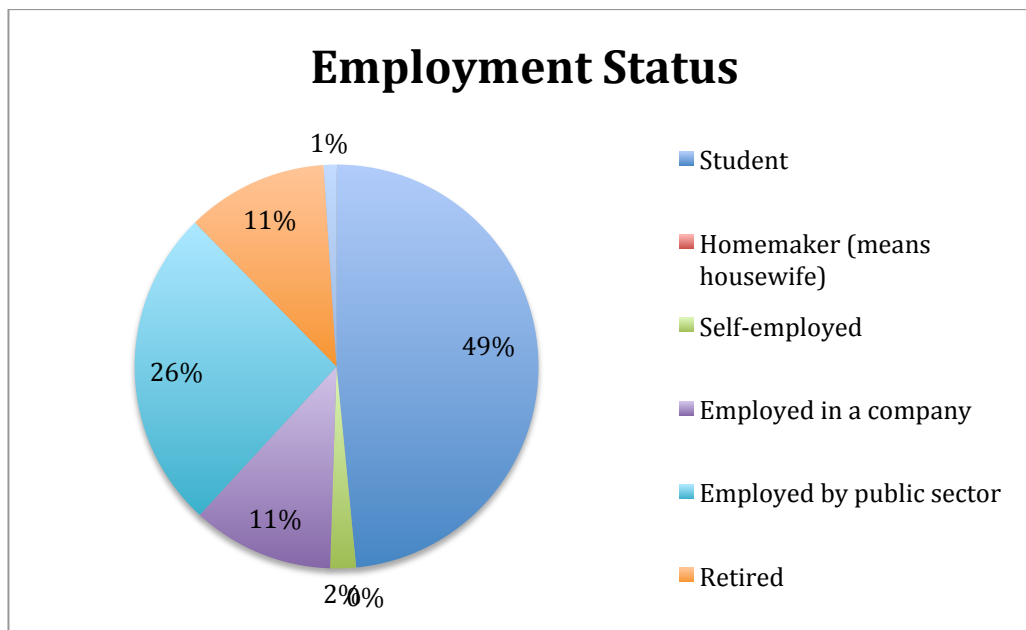


Figure 15 Employment status

As Figure 15 shows, almost 50% of the respondents are students and 26% of the respondents are employed by the public sector. Considering that there are over 60% respondents who are 18 to 25 years old, it is not surprising there are lots of students among the respondents. Probably young people are likely to answer the questionnaire online and they are interested in the express service because they use it quite frequent.

What comes to the marital status, there are 45.88% of the respondents are single, which is the largest group of this research. Married respondents without children just account for 3.61 percent and the divorced respondents just took of 1.55%, which form the two smallest groups of the respondents. In addition, respondents who married with children, and respondents in relationship have quite a similar percentage, 24% of both.

5. EMPIRICAL FINDINGS

In this chapter, the analyzed results for the interview and questionnaire will be introduced and described regarding the theoretical framework.

5.1 Questionnaire Discovering

The questionnaire method is reasonable for making a brief analysis on the Chinese express logistics market. The demographic factors have been described in the previous, therefore the following analysis will base on the theoretical framework, Chinese express logistics market and strategic marketing principles. In addition, the questionnaire will focus on the individual customer market with particular designing aimed at express service industry.

5.1.1 Overall Industry Perception

In allusion to investigating this topic, there are four main questions, which are designed on the basis of Chinese express logistics industry study. When the author was designing the question, the customer potential needs and customer behavior were always regarded as the two key factors to guide the question designing.

As shown in Figure 16, it is explicit that most customers have used the domestic express service, and over half of the respondents have used the city express. Only 23.2% of people have used international express service, which is a very low percentage of the whole respondents. Consequently, we can assume that the market capacity of domestic express, which includes the city express, is bigger than the international express.

However, this consequence is just based on the market capacity perspective rather than the profitability perspective. In fact, the international express service is much more profitable than the domestic or city express service. But in another hand, the market capacity of Chinese domestic express service is growing in an unbelievably speed benefited by the ecommerce. (Baidu Wenku 2011)

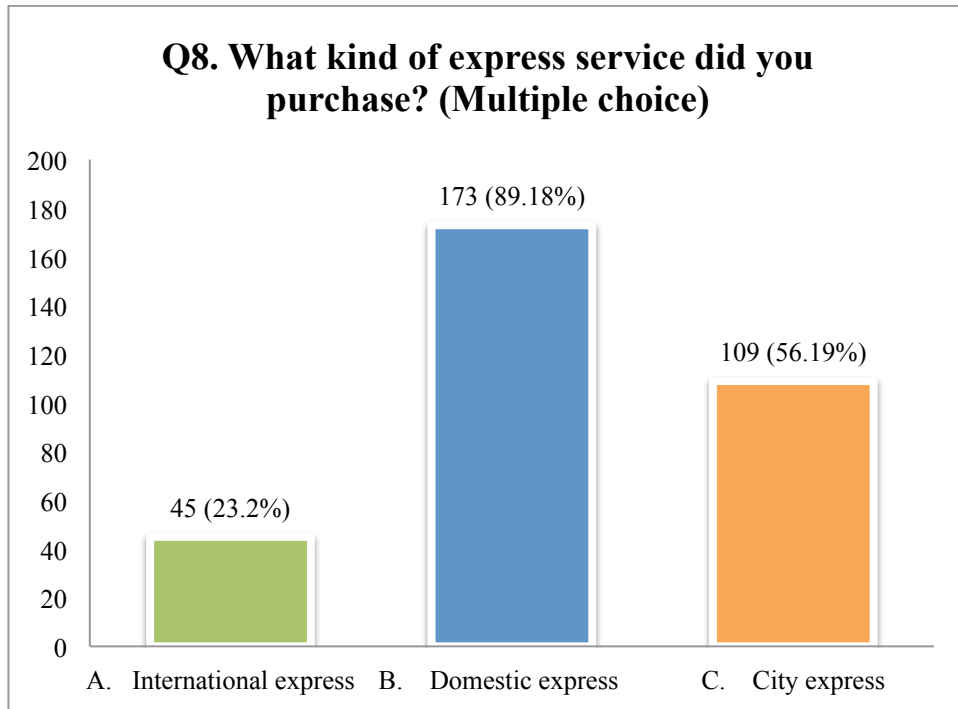


Figure 16 Express services used

In 2007, the four biggest foreign companies in the express market, FedEx, UPS, DHL, TNT (merged by UPS in 2012), occupied over 80% of the market share of the Chinese express service market. (Ministry of Commerce of the People's Republic of China 2007) On the other hand, they just account for 18% market share of the Chinese domestic express service market which included the city express already. (Xu 2009)

So, the foreign companies are really strong on the international express market but weak on the domestic market. From the results of this survey, even the profitability of domestic express service is lower than international express service, but domestic express service is still important enough to attract the foreign companies to invest more on this segment market due to the enormous market capacity of the Chinese domestic market and its over 1.3 billion population.

The result of Q9, shown in the Figure 17, which describes the customer's motivation of the buying behavior, also can indicate the brief customer needs. No difference with the expectations of the researcher, online shopping completely leads the main market demands at the moment.

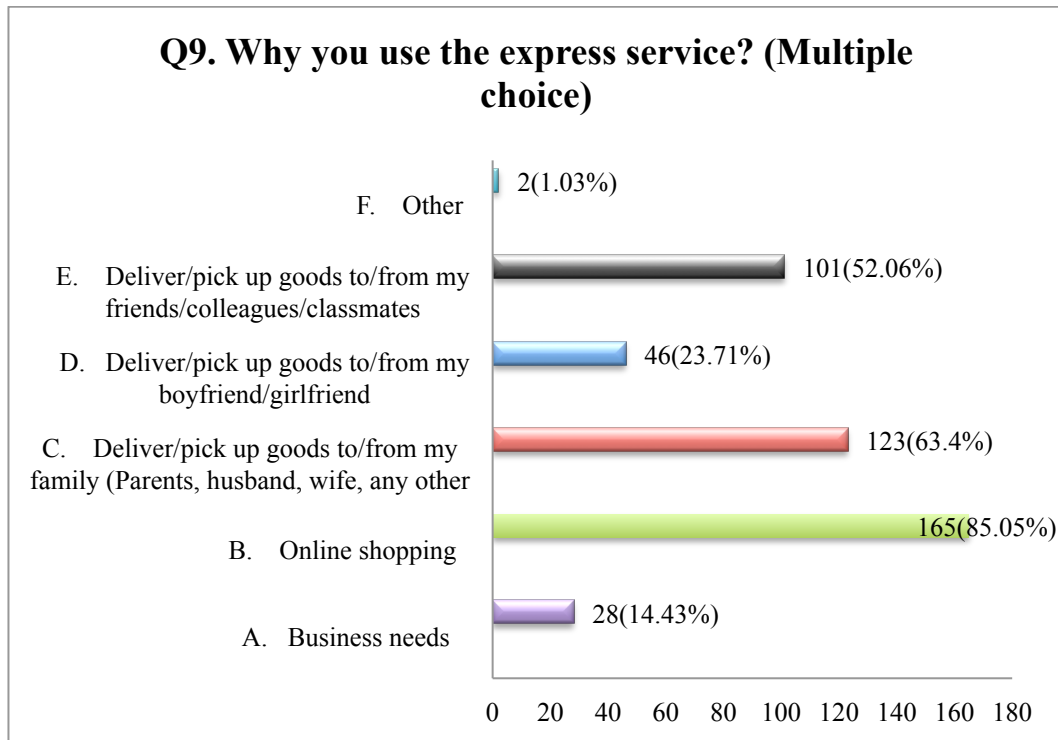


Figure 17 Customer needs

Over 85% respondents purchased the express service because they bought something on the ecommerce website and then the goods need be delivered from the warehouse to the customer place. The second big motivation is delivering or pick up goods to or from the family included parents, husband or wife, and any other relatives.

This result can be identified Chinese particular situation. Firstly, influenced by the Chinese traditional culture, filial piety commonly is regarded as the primary factor when people judge others morality. So in China, people usually post the gift to their parents or grandparents in every Chinese traditional festival if they can come back to their parents' home. In addition, China has really rigorous household registration system to avoid too much people come flooding into the city within a short period. But there still are numerous workers go to the big city or the

developed area in China to find a job. Even if they can find a job in the city, their family still has to stay in the rural area as they do not have the same rights compare with the citizens who are registered in those cities. For instance, their children cannot go to the local school expect if they pay a large amount of money. As a result, lots of workers send some package to their family due to they are not living together and they also do not have enough holiday to go back. However, it is a large demand for those rural labors to transport the parcels that they purchased for their family.

Another similar circumstance is that most of Chinese undergraduate students always need go to another city where the university is located, due to the Chinese university generally being located in a big city and the developed district. Also their parents probably send some parcel to the student at festival times or due to any other needs.

It is should be mentioned that as the questionnaire is more focused on the individual express market, and the limitations of the sample size, the business needs show on the results as relatively low. However, in the market the business need is really strong and provides high potential for growth as well.

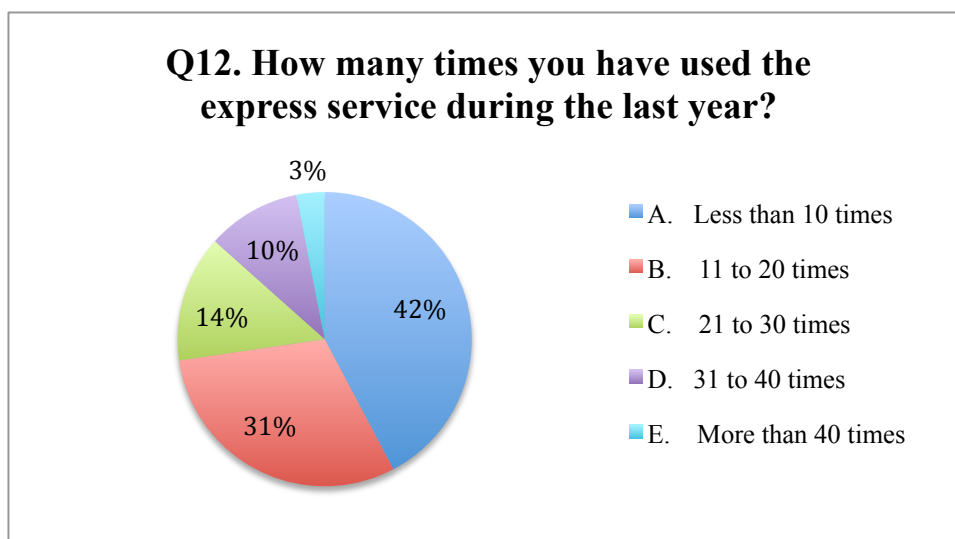


Figure 18 Purchasing frequency

With the frequency of individual customer purchasing behavior shown in Figure 18, it can be seen that over 40% customers purchased the express service less than

10 times within one year, 31% of customers purchased the express service between 11 to 20 times a year. Only 3% respondents choose more than 40 times. If we make a cross analysis involving the customer needs and purchasing frequency, the result clearly show that over 80% the respondents who choose purchased the service more than 40 times within last year and they choose online shopping as the purchasing motivation as well. The express provider should highlight this outcome that the customers from ecommerce industry should be regarded as extremely significant customers considering their purchasing frequency.

In the next question, the respondent has to choose the importance of the following factors when they make the purchasing decision, price, speed of delivery, safety, flexible delivery time, and company's attitude in attending to its customers. From the Figure 19, it can be seen that the most influential factor is the safety.

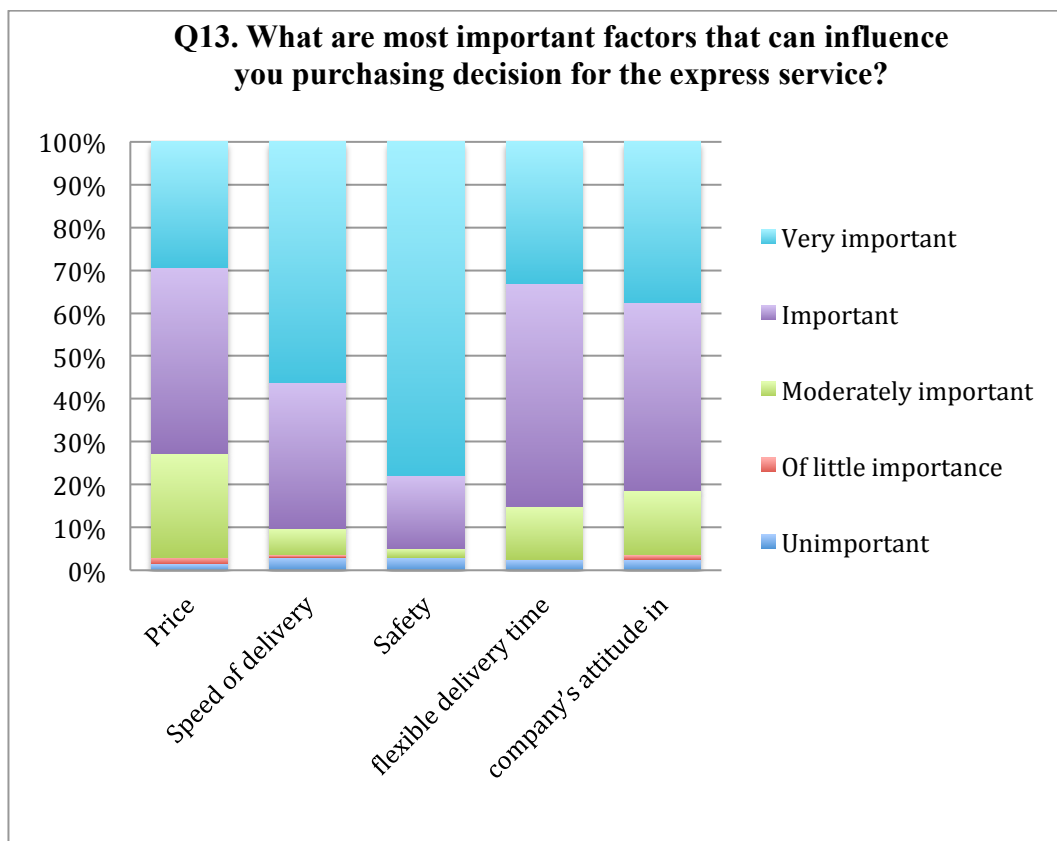


Figure 19 Influential factors during purchase decision

For the European people, safety could be slightly difficult to understand as to what it indicates. In the Chinese express market, sometimes a parcel might be damaged during transportation or the item inside of the parcel could even disappear. In some cases the item is probably stolen by the courier or express company's employee. This happens in the Chinese market now, especially when the goods are valuable. Consequently, when the customer chooses the express service, safety is supposedly a very important factor.

The second important factor is the speed of delivery, which is the most basic character of an express service. It is truly surprising that the importance of price is even lower than flexible delivery time for the customer. The attitude is relatively influential for the customer but the number of people who choose "very important" is still more than price. This result is unexpected and it also conformity of the previous studies. The reason could be: the express service is supposed to be the most expensive service and insensitive of price during the various type of logistics service; along with Chinese economical development, the purchasing power of Chinese customer is quickly increasing so the price is not the most sensitive factor anymore. It also might be a limitation of this research due to most of the respondents coming from Beijing which is one of the most developed cities in China.

5.1.2 International Express Logistics Market

According to the questionnaire's data, only 38.14% of the respondents have earlier experience of international express service before, which means that the major demand for express logistics service is more based on the domestic need or a single city.

Of the respondents who had used the international express service before, there are over 70% respondents that purchased EMS international express services. (See Figure 20) In addition, even the private company Shunfeng express can rank on the second position so that just rely on the inside of Asia service, which is the only one international express service they can serve.

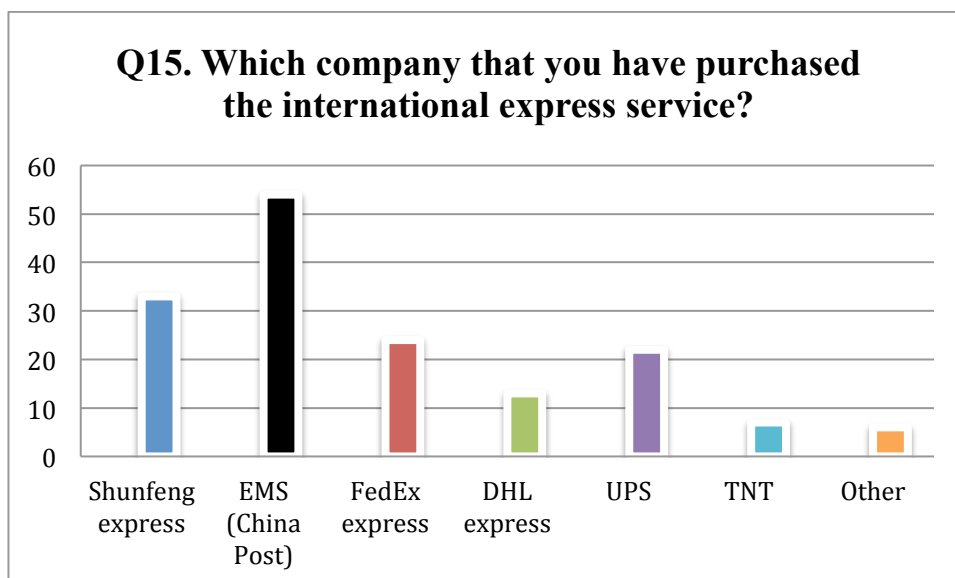


Figure 20 Position of companies in international express services

Nevertheless, if we consider that the questionnaire is more focused on individual customers, then the empirical study proved that the foreign enterprises are more focused on the business market, which is more profitable and has less competitors. Or the individual market can be regarded as the disadvantage for their market performance. At first sight, the number is in disaccord the previous studies, which showed that the foreign companies occupies over 80% market share of international express service in China. According to the results, FedEx and UPS are relatively stronger than DHL and TNT on the individual market. In addition, the questionnaire just investigated the experience that the respondents might have had before, but the purchasing frequency was not taken into account in the survey.

Depending on the across analysis, the study found that even the government owned company and strongest Chinese private company occupied more market share on the individual market, but their customer satisfaction is not good as their sales performance. 72.97% of customers used EMS international express service but only 33.78% of the respondents thought that EMS provided them the best customer experience. The reason could be that the questionnaire just investigated the experience that respondents might have had before, but the purchasing frequency was not taken into account in the survey. So, the situation could be that

there are a lot of respondents who have used the EMS service but they were dissatisfied with the service quality. Then they probably changed to another company when they made the purchasing decision next time.

On the contrary, FedEx, DHL, and UPS, their customer satisfaction performed exceedingly well compared with the market share showed in this survey. As a result, the frequency of purchase might be really high among their customers, which is the reason why they still have the considerable market share at the moment.

The survey investigated influencing factors of purchasing decision as well. In summary, the speed of delivery can be defined as the most crucial key factor for the customer needs of international express service. Then other relatively critical factors consist of safety and flexible delivery or pick up time. Once more, it is obvious that price is regarded as the most unimportant factor compared with others for the international express service especially for the individual market.

5.1.3 Domestic and City Express Logistics Market

In the total 194 valid respondents, there are 180 respondents who have experiences of the domestic or city express logistics service in the past.

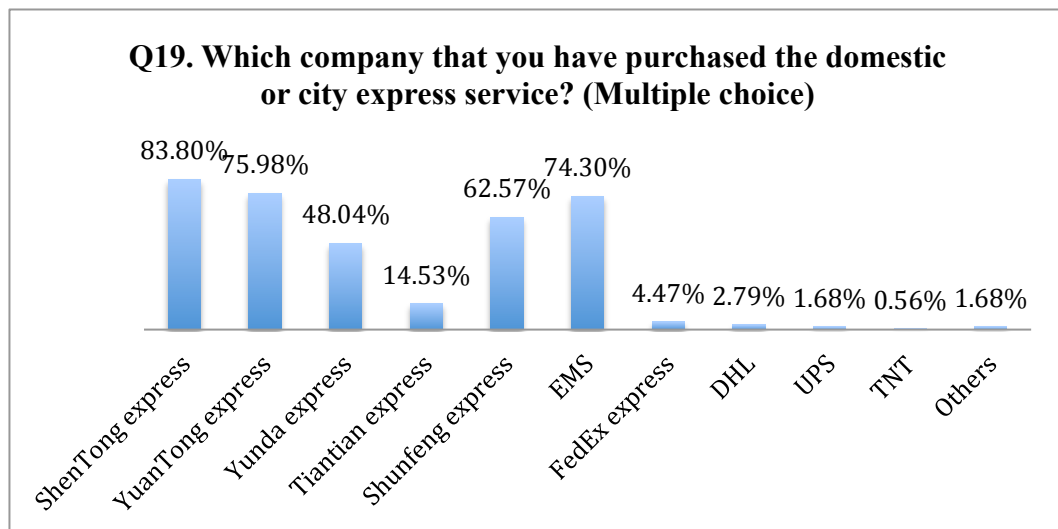


Figure 21 Brand's market current situation (Domestic & City Express Service)

In Figure 21, it is obvious that local private and government owned business account for major market share of the domestic and city express market. All of

foreign companies did not pay enough attention or win the local competitor in the domestic and city market, which can be seen as an immense drawback of their operations and market performance in China.

About the customer satisfaction, Shunfeng Express finished top in this survey with a comprehensive and excellent feedback for all optional factors of price, speed of delivery, safety, flexible time for delivery and pick up, and company's attitude attending to the customers.

Considering that this research aims at providing the marketing suggestion particularly from the foreign enterprises' perspective, a part of this survey was also designed for the pre-marketing information. According to previous studies and the customer survey, domestic market can certainly be regarded as a drawback whatever the reason is insufficient input or unsuccessful marketing strategy. This thesis will discuss the difficulty that a foreign company faced in the reflection of interview.

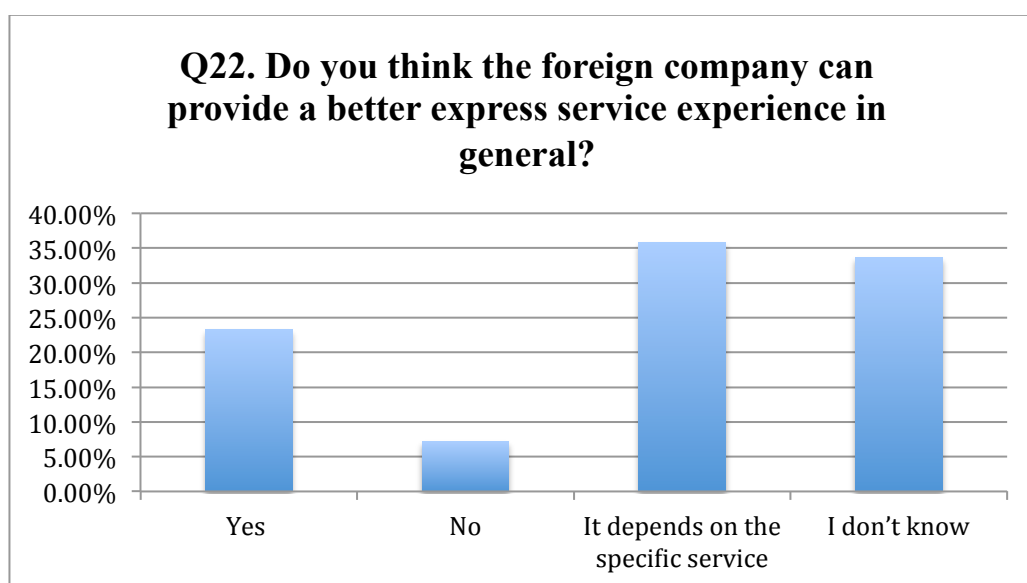


Figure 22 Reputation of foreign companies in China

As shown in Figure 22, over 20% of respondents agree with that the service provided by a foreign company is unconditionally better than the local enterprises and only 7% of respondents disagreed with that. More than 35% of respondents thought they need answer this question depend on the specific service, which is

quite a rational response. There is also a large group of respondents who chose “I do not know” option. The researcher supposes that those people probably do not have any experience of the service that is provided by foreign express enterprises. Consequently, the result proves that the reputation of foreign enterprises is comparatively favorable among Chinese individual customers, which can be regarded as a great advantage when foreign enterprises are planning their marketing strategy.

As this research shows that the foreign companies have a good reputation somehow, so it would be better if the survey could investigate what kind of factors produced such a good reputation, which can be defined as the advantage of those firms.

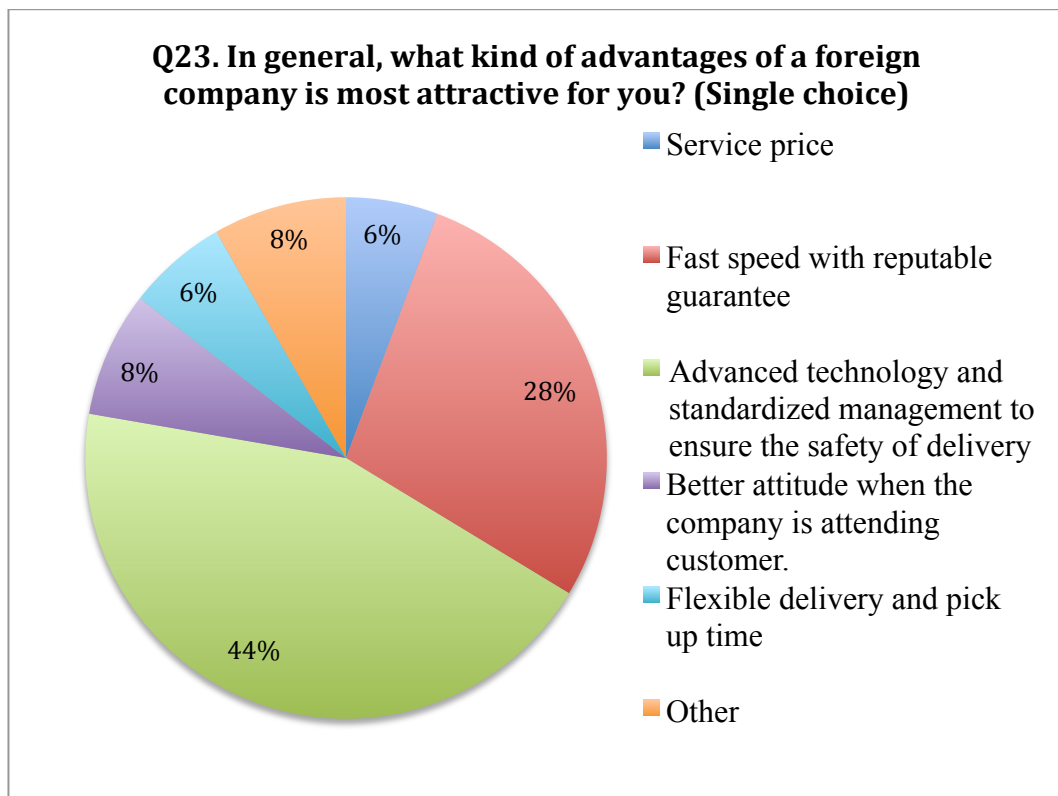


Figure 23 Advantages of foreign express enterprises in Chinese express logistics market

From Figure 23, it is shown that the most obvious advantage is advanced technology and standardized management of foreign enterprises in order to guarantee the safety of delivery. This is an exact match with the result of question

13, which indicated that safety is the most influential factor when the Chinese customer is making a purchase decision. It is significant enough that all of express enterprises should focus more on how to improve the safety during the transportation. For the foreign companies, they have covered this field well enough, so key point is how to keep the quality of service when trying to provide customer a more competitive price.

Another advantage is the speed of the service that is the traditional strength of the global express service provider depending on their well-established transportation network around the world. The fast and guaranteed speed of delivery is the fundamental character of the express logistics service, which means it is the most basic reason why the customer selects the express service.

About the price, flexible delivery time, and the attitude of attending to the customer, they are the factors that the foreign companies should put effort continuously in the future in order to provide a better customer experience and be more competitive on the Chinese express logistics market.

For companies, they must not only actively utilize their advantage or strength but they also need to acknowledge and improve their weaknesses with the intention of good market performance and customer experience. For that reason, question 24 was designed to examine what kind of disadvantages the company needs to enhance as soon as possible.

As Figure 24 shows, that expensive price and undeveloped retail store network are the most two obvious drawbacks of the foreign companies in Chinese express logistics market. It is easier to understand the reason why the price is expensive compare with the local service provider and foreign enterprises, which is the high cost. But if we consider the service quality offered by foreign companies, then it is really difficult to keep the high quality and to reduce the service price at the same time. For example, FedEx is actually an airline that just provides the air cargo service. FedEx has over 600 airplanes globally and it has established the most developed air cargo delivering network, which mean FedEx has to afford a

really high cost to maintain its transportation tools and network in order to ensure the quality of their service.

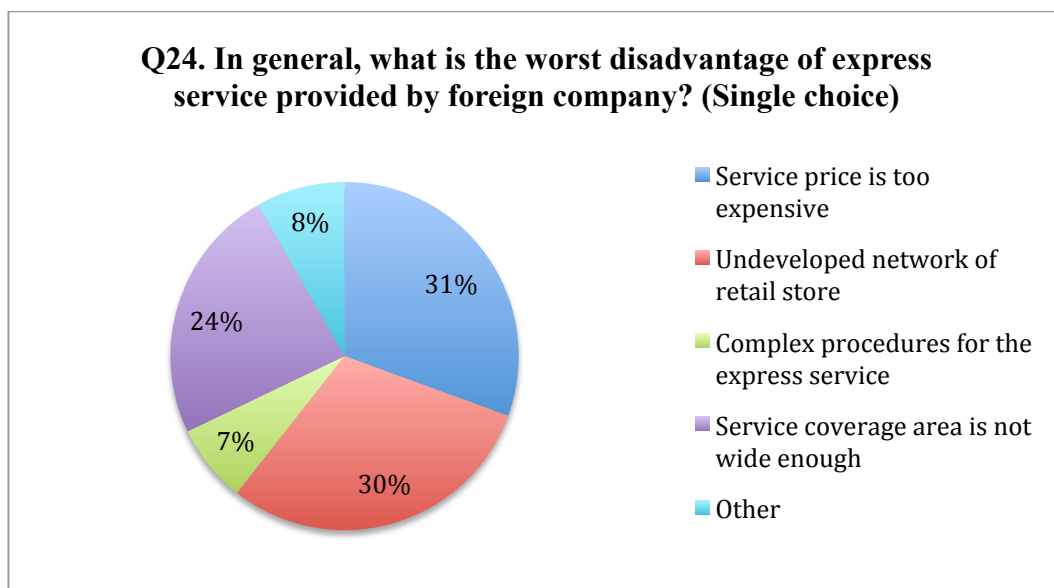


Figure 24 Disadvantages of foreign enterprises in Chinese express logistics market

Compared with price, the undeveloped network of a retail store is much easier to overcome in a certain period but, of course, it is also affected by the global strategy of the company. Besides, in China, the express logistics service is usually provided in the “door to door” way, which means the when a customer needs to receive a parcel they have to wait for the courier in the destination address. It is really inconvenient if the destination is home address because most people have to go to work at the daytime which is the work time of the courier as well. For example, in Finland, a courier can post a information card into the door if the receiver is not in the destination address, and then the customer can go to post office when they are free. However this kind of service is rare in China at present. This weakness is also the main reason causing the inflexible time of the delivery.

Another weakness is that the service coverage area is not wide enough, which means the delivery service or pick up service cannot be reached. Similarly with the undeveloped network of retail store, this weakness can be solved relatively fast if the company increases investment in the Chinese market. But of course, the business risk has to be carefully considered as well. Sometimes, opening a new

transportation line might be in losing money in short term but it is better to evaluate the situation case by case under the global strategy perspective. For example, DHL established the most wide delivery network compared with other three major competitors (FedEx, UPS, TNT), even though they can not earn money from every single line at the moment, but they have built a more reliable brand image and a better reputation.

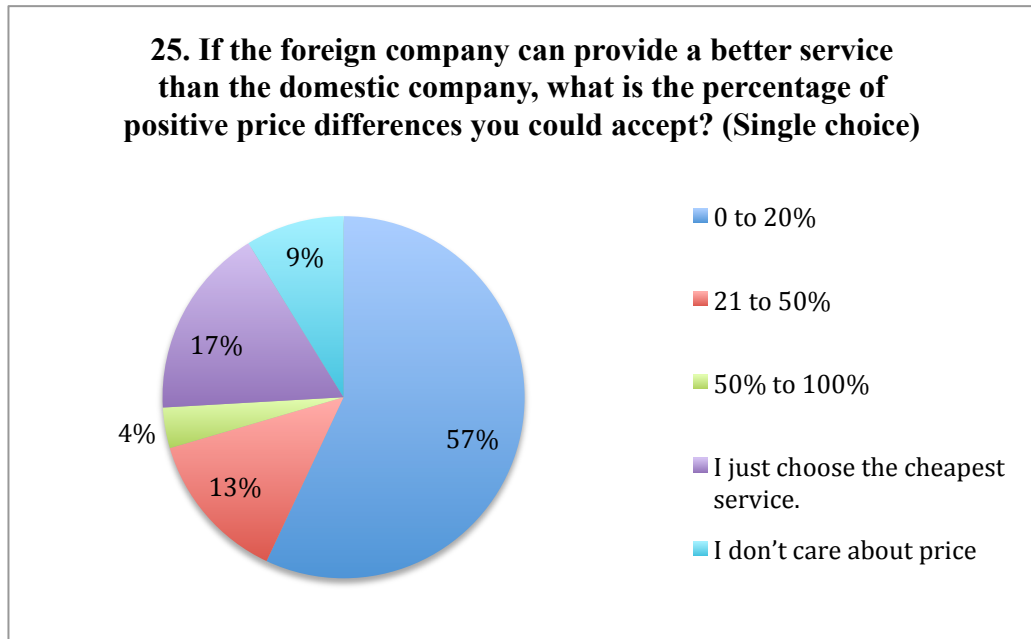


Figure 25 Price acceptance of customer

With the hypothesis of high price possibly being the biggest obstacle when foreign companies markets their express service, question 25 was designed for investigating what is the degree of acceptance of the customer towards the percentage of price differences between a Chinese local express company and foreign companies. According to Figure 25, over 50% of respondents can just accept less than 20% positive difference. 17% of respondents just choose the cheapest service, therefore they should not be regarded as the target customers by foreign companies. However, there still are 9% respondents who said they do not care about the price and those respondents should be classified as key customers for foreign companies.

5.2 Interview Reflections

The interview, abundant professional opinions and information given by the specialist will be summarized in this chapter.

5.2.1 Current Situation of Chinese Express Logistics Market

In Chinese express logistics market, the four types (Stated-own enterprise, private enterprise, foreign company, internal department) of participants that are mentioned above still are the major force in the competition of the express market. However, compared with several years ago, the current situation is quickly changing everyday. The national express company, EMS was stripped from its parent company five years as a subsidiary of China Post.

The reason why EMS has to separate from China Post is that they are going to start initial public offering (IPO) in Hong Kong Exchange recently. They used five years to make their operations standardized and modernized to reach the conditions of Hong Kong Exchange for the IPO. Considering that the market share of EMS for Chinese international express market decreases from 85% to 15% within 10 years, it is reasonable that EMS has fallen into trouble, especially referring the capital and their cash flow. Besides, the cargo airline of EMS has been losing money for many years since the foreign companies occupied most of the market share of international express market.

According to the interview, the purpose of EMS's IPO is going to finance a large amount of money, therefore they are investing on their hardware to improve the quality of service and get the market share back particularly from the foreign companies. However, EMS still dominates the domestic express market at the moment. Also they are going to start new operations to keep the monopolized market position on the city express market. Once the IPO has been finished, EMS must begin to implement many improvements of their service and start a gigantic marketing promotion immediately. As a result, as a loser of previous competition with foreign companies in Chinese international express logistics market due to their market share reduced from 80% to 15% at the moment, EMS is planning to improve their service quality and gain the market share back, which can be regarded as a big threatened by foreign enterprises in the future.

About the foreign express companies, the most recent news is that UPS merged with TNT express with 5.2€ billion. And they will use four years to integrate their global operations in order to become the biggest express logistics company that replaces DHL.

DHL, as the only one of foreign company who still operates their service by joint venture in China, is the biggest international express service provider in China, is depending on the abundant resources and relationship network of the Chinese partner Sinotrans. DHL successfully markets their operation in China compared with other foreign express industrial giants. The most important reason is alignment with Sinotrans, who is a powerful governmental company in China. Sinotrans can provide an in-depth perception of Chinese market especially from the government and policy perspective which can be regarded as one of the most influential success factors in Chinese express logistics market.

Another global giant, FedEx, had a really unpleasant sales performance last fiscal year as they did not achieve the sales target plan. The international express operations even appeared to decrease. But on the other hand, their national operation appeared fast growth during last year and got a relatively good performance.

In addition, even the domestic private enterprise is still small and weak but they are fast developing in both international service market and the domestic service market. In international service market, private companies utilized extremely low prices to win more customers with satisfied quality. But due to the limited resources like capital, aircraft, local stations, most of the private firm just can operate their service from China to neighbor countries or regions, such as Hong Kong, Macao, Japan, South Korea etc. So far, they cannot be regarded as the main competitors for the foreign giant companies in overall business but they have been quite competitive and threatening in some transportation lines. In the domestic service market, private companies have occupied a large number of customers which accounts for over 50% of the market share. However it should be noticed that most of Chinese local express companies developed at unbelievable speed just by relying on the low price strategy. Consequently, the profitability is not

good as their revenue performance. The only one exception is Shunfeng Express, due to this company gained more customers and more profit in the same time depending on the quick improvement of their service quality.

It should be noticed that except for FedEx, the other three express industrial giants have temporally quitted the Chinese domestic express market because of bad market performance. The reason is that their operational costs are extremely higher than the local competitors, which resulted in their price being truly uncompetitive in the market.

In addition, the interviewed expert also appeared to be worried about the international express market affected by the negative economic environment especially the slow growth of international trade. Due to the shrinking of European and North American market, Chinese exports appear to have really slow growth, probably even declining in the future. But on the Chinese domestic express market, the tendency appears continuously fast increasing because of the strong demand of domestic consumption.

5.2.2 Relevant Industry Policies and Regulations

In China, there is normally one ministry of the central government which is responsible for managing a particular industry. For instance, the Ministry Of Industry And Information Technology is responsible for the information industry and then formulates the relevant regulations and policies. But for the logistics industry, there is not one official department who organizes the governmental management directly. However, there is a semi-official organization named China Logistics Association who represents the government to manage the logistics industry, including the express delivery industry.

Generally, the current policies and regulations protect the domestic enterprises slightly whatever national firms or private companies, due to the Chinese express enterprises being quite weak and emergent compared with the foreign giants such as FedEx, UPS, DHL etc. Besides, due to a marketing campaign (sharply decreased price over 50%) with an impressive display of power and influence on Chinese domestic express market conducted by FedEx in 2011, the Chinese

private companies and China Post have been strongly vigilant for the foreign companies and reported their concern to the related Chinese governmental department organized by the Chinese Logistics Institution. This act directly generated that Chinese government become alertness to the accelerated extension of foreign companies. So, from the political perspective, foreign companies are still facing a truly tough situation excluding DHL. As the operations of DHL in China are still conducted by the joint venture with Sinotrans who is government owed business.

In addition, some foreign enterprises have the adverse record in relevant government department caused by sensitive or illegal goods express delivery. For instance, Tibetan separation problem is really sensitive in China because it is defined as the infringed upon sovereignty of China. There are some adverse records that some of the foreign companies provided the international express service to organization of Tibetan separation from abroad to China with really sensitive and illegal goods such as the brochures and flags which the contents are related with Tibet independence. Therefore, badly effected by those adverse records, Chinese government is on guard toward for foreign companies due to it being hard to control those kinds of issues of foreign companies.

In addition, as this thesis mentioned before, the development of logistics industry started quite late compared with other countries. In resent years, the concept of logistics was just broadly being acknowledged in the Chinese market. Therefore, most of domestic providers especially private enterprises, are weak and backward on the service quality control, financing capacity, general management, employee training and internal sourcing. The lower cost and lower price form the only marketing strategy to gain more customers.

6. CONCLUSION

Generally, foreign companies market their international express service operations successfully in China whatever from the market share or customer satisfaction point of view. For the market share, they have firmly occupied over 80% of the market share and defeated the biggest domestic competitor EMS. According to the survey conducted in this research, the customer satisfaction of foreign companies also presented higher than the average level in the Chinese express logistics industry. However, reasoning by the destructive economic environment and sluggish growth of international express market, the international market is likely to achieve fast development in a certain period of future. Consequently, this research recommends that foreign companies should put more effort on the extension of domestic express market on the basis of keeping the market share and customer satisfaction on international express logistics market.

As mentioned before, except for FedEx, the other three global express giants, UPS, DHL and TNT, have temporarily quite the Chinese domestic express market due to the dissatisfactory market performance. Even through considering the huge potential of the Chinese domestic express market that has been introduced and not so optimistic prospects of international express market growth, the researcher still highly recommends that those foreign companies should gradually plan to come back to the Chinese domestic express market. However first they have to establish an appropriate and meticulous strategic marketing plan not like the failure in last time.

According to the results of empirical study, there are two most challenging obstacles when foreign companies extend to the Chinese domestic express market. The first problem is extremely high operation costs compared with local competitors. The key factor to solving this problem is quick and large investment in the related operational facilities and equipment to enlarge the scale of business in order to reduce average fixed cost of the express service. But considering the high service quality provide by foreign companies, the space of price reduction is limited. So, as a result foreign companies could provide different services for different target customers in order to meet exactly the customer's need with a

reasonable cost. For example, some customers just need express the goods within eight days, then, of course, they will not pay a higher price for the one or two day's delivery time. So, how to utilize the segmentation strategy to avoid competing on price need to be carefully considered by the foreign company. Besides, positive promotion strategy for the service quality and brand reputation also can be regarded as a brilliant way of solving the problem.

Depending on this research, safety becomes the most significant factor for the purchase decision maker instead of price. Providing a safe delivery service is exactly the advantage of foreign companies relying on their advanced equipment and standardized management. Besides, there are only 17% respondents who always purchase the cheapest express service, which means there are 83% respondents who can accept the positive price difference in different degrees.

In addition, foreign companies also need to consider the marketing strategy from a long-term perspective. For example, FedEx still insistently operates their domestic service even if it is deficient at the moment. Relying on the low price strategy, which temporarily gives up profitability, FedEx domestic market share is quickly growing up and they also optimize their service coverage and invest in facilities of the same time. As the strategy of promotion, premium brand positioning is also recommended due to it is a very brilliant way to avoid the price competition but do not need to lose profit as well.

Unlike price, another most challenging obstacle is political environment and relevant policy, which cannot be controlled by foreign companies. How to deal the relationship with the Chinese government is always treated as an extremely plagued difficulty by the executives and managers. Of foreign companies, it is quite the same situation in the express logistics industry, the suggestion of this article is the foreign companies have to deeply understand the particular national character of China and be familiar with political system and invisible regulations of China. Therefore, the foreign companies should put more effort in the market environment analysis particularly the political environment analysis in Chinese market.

The most intelligent way is change to their operations to more localized and hiring more local people as administrative staff who are familiar with everything in the country. Under the circumstances of no violation of laws, they could use more flexible and localized methods to deal with the relationship with the government in order to build a bridge to communicate with each other in time effectively. Besides, foreign companies also need to avoid their operations being connected with any politically sensitive things, such as Tibet independence, which is related to the sovereign and territorial integrity of China, as mentioned before. Respect for a country's regulations and law is the most basic condition if a company wants to acquire a good environment for successfully operating the service in there. Therefore, cultural difference should be more understood by the foreign companies who are going to be successful in Chinese express logistics market.

Hiring local professional executives and specialists can help foreign companies to adapt to the Chinese domestic market quickly due to their rich experience in the local market. Furthermore, local executives are able to support the global senior executives to acquire a more reliable and veritable understanding of the Chinese express logistics market in order to create an effective and reasonable marketing strategy.

For the further study, it could be focused more on the business customer analysis due to it can be regarded as the limitation of this research. However, business customers are most valuable in express logistics industry and provide most of profits for the express delivery companies. Additionally, the marketing strategy should be particularly customized for the business customers and individual customers in order to achieve more effective combined marketing strategy. The further research can also choose a sub-topic of this research to get more exact and detailed information and analysis, which can provide more useful suggestion for the foreign express companies.

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APPENDIX 1: Questionnaire – Chinese Express Market Survey

Dear respondent,

I am a student who comes from Vaasa University of Applied Sciences in Finland. I am glad to invite you to take part in this survey, which is about Chinese express logistics market. In modern society, almost everybody has the experience of express service in order to transfer the letter or parcel from door to door. The purpose of this survey is going to investigate the general situation of the Chinese express market especially for the customer perspective. I would be really appreciated if you could spend five to ten minutes to answer the questionnaire. In addition, all of information from yours will be only used in academic studying and researching instead of any commercial purpose.

First page:

Q1. Have you used the express service before? (If you choose No, the survey would be finished for you. Thanks for your time!)

- A. Yes
- B. NO

Second page:

Q2. Where do you live now?

Answer: _____

Q3. Gender:

- A. Male
- B. Female

Q4. Your age:

- A. Under 18
- B. 18 to 25
- C. 26 to 34
- D. 35 to 44
- E. Older than 44

Q5. Your educational level:

- A. Middle school and under
- B. High school or secondary technical school
- C. Junior college
- D. Bachelor degree
- E. Master degree and above

Q6. Employment status:

- A. Student
- B. Homemaker (means housewife)
- C. Self-employed
- D. Employed in a company
- E. Employed by public sector
- F. Retired
- G. Unemployed

Q7. Marital status:

- A. Single
- B. In relationship
- C. Married without children
- D. Married with children
- E. Divorced

Third Page:

Q8. What kind of express service did you purchase? (Multiple choice)

- A. International express
- B. Domestic express
- C. City express

Q9. Why you use the express service? (Multiple choice)

- A. Business needs
- B. Online shopping
- C. Deliver/pick up goods to/from my family (Parents, husband, wife, any other relatives)
- D. Deliver/pick up goods to/from my boyfriend/girlfriend
- E. Deliver/pick up goods to/from my friends/colleagues/classmates
- F. Other _____

Q10. Where you bought the express service? (Multiple choice)

- A. An express service Or A logistics company's website
- B. An express service OR A logistics company's telesales
- C. Retail store
- D. Agency
- E. Other _____

Q11. Where you get the information about the express company, based on which you can make your purchasing decision? (Multiple choice)

- A. Television Advertising
- B. Outdoor Advertising
- C. Magazine or newspaper
- D. Internet and website advertising
- E. Advise from family/friends/colleagues.
- F. Personal selling
- G. Others _____

Q12. How many times you have used the express service during the last year? (Single choice)

- A. Less than 10 times
- B. 11 to 20 times
- C. 21 to 30 times
- D. 31 to 40 times
- E. More than 40 times

Q13. What are the most important factors that can influence you purchasing decision for the express service?

	Unimportant	Of little importance	Moderately important	Important	Very important
Price					
Speed of delivery					
Safety					
Flexible delivery					

and pick up time					
Company's Attitude in attending to customers					

Fourth Page:

Q14. Have you used the international express service before? (Single choice)

- A. Yes
- B. No

(On the website, the logical procedure was set up by if the respondent choose "Yes", then he/she will go to fifth page; if the customer choose "No", then he/she will go to sixth page)

Fifth Page

Q15. Which company that you have purchased the international express service? (Multiple choice)

- A. Shunfeng express
- B. EMS (China Post)
- C. FedEx express
- D. DHL express
- E. UPS
- F. TNT
- G. Others _____

Q16. Which company provides you a most satisfied international express service experience? (Single choice)

- A. Shunfeng express
- B. EMS (China Post)
- C. FedEx express
- D. DHL express
- E. UPS
- F. TNT
- G. Others _____

Q17. According to which company you choose in last question, evaluate the quality of the service provided by this company in the following table, please.

	Very poor	Poor	Acceptable	Good	Very Good
Price					
Speed of delivery					
Safety					
Flexible delivery and pick up time					
Company's Attitude in attending to customers					

Sixth Page:

Q18. Have you used the domestic or city express service before? (Single choice)

- A. Yes
- B. No

(On the website, the logical procedure was set up by if the respondent choose "Yes", then he/she will go to seventh page; if the customer choose "No", then he/she will go to eighth page)

Seventh Page:

Q19. Which company that you have purchased the domestic or city express service? (Multiple choice)

- A. ShenTong express
- B. YuanTong express
- C. Yunda express
- D. Tiantian express
- E. Shunfeng express
- F. EMS
- G. FedEx express
- H. DHL
- I. UPS
- J. TNT
- K. Others _____

Q20. Which company provides you a most satisfied domestic or city express service experience? (Single choice)

- A. ShenTong express
- B. YuanTong express
- C. Yunda express
- D. Tiantian express
- E. Shunfeng express
- F. EMS
- G. FedEx express
- H. DHL
- I. UPS
- J. TNT
- K. Others _____

Q21. According to which company you choose in last question, evaluate the quality of the service provided by this company in the following table, please.

	Very Poor	Poor	Acceptable	Good	Very Good
Price					
Speed of delivery					
Safety					
Flexible delivery and pick up time					
Company's Attitude in attending to customers					

Eighth Page:

Q22. Do you think the foreign company can provide a better express service experience in general? (Single choice)

- A. Yes
- B. No
- C. It depends on the specific service
- D. I don't know

Q23. In general, what kind of advantages of foreign company is most attractive for you? (Single choice)

- A. Service price
- B. Fast speed with reputable guarantee
- C. Advanced technology and standardized management to ensure the safety of delivery
- D. Better attitude when the company is attending customer.
- E. Flexible delivery and pick up time
- F. Other_____

Q24. In general, what is the worst disadvantage of express service provided by foreign company? (Single choice)

- A. Service price is too expensive
- B. Undeveloped network of retail store
- C. Complex procedures for the express service
- D. Service coverage area is not wide enough
- E. Other_____

Q25. If the foreign company can provide a better service than the domestic company, what is the percentage of positive price differences you could accept? (Single choice)

- A. Less than 20%
- B. 21 to 50%
- C. 50% to 100%
- D. I just choose the cheapest service
- E. I don't care about price

APPENDIX 2: Interview Questions

1. Could introduce the market situation of Chinese express logistics industry at the moment?
2. When we talking about the 4 types of participants in the Chinese express logistics market and their situation now, how do you think about their performance in future?
3. What kind of attitude of Chinese government hold regarding the foreign company and how is the change in the future? What kind of policy change would happen in the future?
4. For the domestic express market, do you think the market will be more open and competitive in the future?