The Case Study on Korean Domestic In-company Third-Party Logistics Providers (3PLPs)

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Abstract: With the rapid growth of logistics, it is important to gain further insight into the strategic benefits of logistics services. The study examines the current situation of Korean domestic 3PLPs. Based on the discussed this, the study surveys In-company situation of Korean domestic 3PLPs. Finally, the study gets the survey results that common features of Korean domestic 3PLPs. This study provides a theoretical foundation for academics and also practical guidelines for logistics services industry.

1. Introduction
Logistics is a hot issue especially with information technology advancements and increased globalization. Third party logistics is important not only support supply chain management services through strategic cooperation, but also expand a company’s geographical operation area and improve services. With expanding of global logistics market markedly and increasing of customer requirements, Korean 3PLs have to improve service and quality for providing value-added logistics and integrated logistics services to meet customers’ demands. Korean 3PLs has becoming competitive logistics providers in the North-eastern area of Asia and has creating a foundation for growth to a global scale. This research examines the current situation and surveys In-company situation of Korean domestic 3PLPs. It gets the survey results that Korean 3PLs can use to establish a global presence.

2. Survey on In-company Situation of Domestic 3PLPs
2.1 CJ Korea Express
2.1.1 Overview of Company
CJ Korea Express has its global logistics service go across the borders and regions, expending its value of customer to the world for the purpose of leaping into the Top 5 global logistics companies by 2020. The company has extended its network to be a global logistics business, based on its belief that global logistics corporations such as FedEx, UPS, Nippon Express, are well constructed in a fast and efficient “one-stop” system and have a solid network across the world. It is doing business in 45 sectors including harbor loading/unloading, land carriage, construction, warehousing, courier service, rent-a-car, environmental business and weight cargo transport. It directly operates most vehicles among the domestic logistics companies.

2.1.2 Service Provided
CJ Korea Express has “Forays into Overseas Markets with ‘One-Stop Service’ and Provision of Logistics Consulting and Total Logistics Service”. This has allowed Korea Express to accumulate know-how over a wide range of logistics businesses. Its ‘One-Stop Service’ to handle the whole logistics process involves loading/unloading, storage and transport by skilled personnel, while maintaining its own infrastructure, helps companies to reduce logistics costs and shorten lead times. It is embodying a one-stop global integrated logistics service thanks to its broad logistics network and high-tech logistics system encompassing from Asia to Americas and the Europe.

The company has been flexible in operating a hub-and-spoke logistics system with the Daejeon
hub terminal at the central point of the system. A point-to-point system supplements the hub and spoke system for swift and efficient sorting and delivery of goods during special seasons like New Years and Chuseok. In addition, the company has been systematic in providing total logistics service. For example, it offers GM Daewoo logistics service involving transport and delivery, container transport, loading and unloading of exported and imported cars, customs clearance, forwarding and lead logistics provider (LLP) service connecting domestic and businesses.

### 2.1.3 Distribution Networks

CJ korea express provides a global integrated logistics service via a wide range of logistics network connecting the world as one based on 78 strongholds in 22 countries. After founding a joint corporation in Vietnam at the beginning of 2007, CJ Korea Express became the first Korean logistics business offering total logistics service involving transport, port works, loading/unloading, warehousing and customs clearance. In April 2007, it opened the first international courier company in Manhattan, New York. It also established a strategic alliance with H Mart, a distributor in the United States. According to the alliance, Korea Express couriers will be installed in the H Mart shops and handle logistics work for the shops. H Mart is one of the largest Korean distributors in the United States, with 100 shops in lots of Korean societies.

### 2.2 Hanjin

#### 2.2.1 Overview of Company

Hanjin Shipping is Korea’s largest and one of the world’s top ten container carriers that operates some 60 liner and trampers services around the globe transporting over 100 million tons of cargo annually. Its fleet consists of some 170 containerships and bulk carriers. With 4 regional headquarters in the U.S., Europe, Asia and South East & West Asia, approximately 5,800 global staffs as well as 12 container terminals in world’s major ports contribute to Hanjin Shipping’s world-class logistics network around the world. By having top priority value in “providing perfect service,” Hanjin Shipping focus not only on eco-friendly vessel operation but also on services that are one step ahead, like high-end automatic container terminal operation technologies. Furthermore, by adopting eco-friendly containers and inventing supply chain carbon calculator, Hanjin Shipping is also trying its best to fulfill our corporate social responsibilities in order to participate in development and improvement of international society as well as shipping industry in general. Its aim is becoming the global logistics leader.

#### 2.2.2 Service Provided

The strategy that Hanjin established to operate logistics service for the specialized tire company, Nexen Tire, stresses the “Expansion of Global Biz” and includes process optimization, reduction of inventory assets and improvement in services to customers. The global SCM service of Hanjin optimized the logistics process of Nexen Tire by integrating 34 logistics bases that had been operated by Nexen Tire to 8, improved the quality of order management by building up an integrated ordering system and realized 99% of the order fill rate (OFR) by controlling and managing distribution in a swift way.

#### 2.2.3 Distribution Networks

The company has a nationwide network with 50 logistics terminals, 400 business shops, and 3,000 offices which handles on average 3 million boxes per month with about 2,500 vehicles. The logistics solution of Hanjin Transportation involves the latest devices such as “handy terminals”, Personal Digital Assistant (PDA) through which logistics data is transmitted in real-time to the computer system “e-HANEX” for delivery.

A ‘real-time logistics information transmission system’ started to operate in September 2008 which displayed the location and time of freight arrival to the end-users. When several goods are delivered to a person, the transportation route is adjusted to deliver all goods at once using the shortest route. PDAs with GPS and communication functions were supplied to nearly 1,000 delivery employees in charge of Seoul and metropolitan areas.
2.3 Hyundai Logistics

2.3.1 Overview of Company
Since its inception in 1976, Hyundai Merchant Marine (HMM) has continuously endeavored to become a premier global shipping and logistics company. HMM is currently one of the top five Trans-Pacific carriers and one of the top 10 carriers in the global shipping industry with a varied sized fleet for Trans-Pacific, Asia-Europe, Trans-Atlantic and Inter-Asia trade. HMM is an integrated logistics company, operating around 130 state-of-the-art vessels. HMM worldwide global service networks, Diverse logistics facilities, leading IT shipping related systems, a professional highly trained staff, and continual effort to provide premier transportation services. HMM transports nationally strategic materials such as crude oil, iron ore/coal and diverse special products as well as import/export goods. Earnings are eight trillion Korean won per year, clearly playing a major role in Korea as a vital econ. HMM invests to continuously expand vessel fleet, acquires container terminals in the worldwide primary location and inland logistics facilities, and develops premiere customer oriented IT system.

2.3.2 Service Provided
Beginning with three VLCCs in 1976, HMM has strengthened its competitiveness to advance new services such as bulk carrier, trampers, container carrier, LNG carrier and special product carrier. As a result, HMM has a stable business structure that can withstand sector fluctuations by operating diversified businesses. It adopted an advanced WMS of EXE Technology Co. in 2002 and has provided optimal logistics services to manage Advanced Ship Notice, goods receipt, warehousing, goods issuance, picking, and cross dock. In addition, HMM has also expanded container service to niche markets in South America, Australia and Russia. Other significant accomplishments include: expansion of inland live reefer service, improved Regional Customer Service Center service, service, and upgraded electronic service on the Mobile devices - sailing schedules, rate requests, online booking, cargo tracking & tracing, and Internet B/L service, etc.

2.3.3 Distribution Networks
HMM has formed a global business network with four international head-quarters, 27 subsidiaries, 76 branches, five overseas offices and 10 liaison offices. It is highly regarded as one of the world’s top integrated-logistics companies with its targeted market prospects, efficient organization, top personnel, and advanced internet systems. In December 2011, HMM announced G6 alliance comprised of 6 leading carriers (Hapag-Lloyd, NYK, OOCL, APL, MOL and HMM) to offer more advanced services to customers in the Asia-Europe and Mediterranean trade lanes. Followed by operation in trade lane between Asia and North America East Coast from May 2013, G6 alliance is expanding its cooperation to Asia-North America West Coast and Trans-Atlantic trade lanes from the second quarter of 2014.

3. Survey Results on Domestic 3PLPs

3.1 3PLPs are in a booming growth stage
In terms of components of Third Party Logistics, in advanced countries the industry covers everything from order form handling to logistics information management and it enjoys a large service scope, such as price negotiation, circulation processing and so on. By contrast, in South Korea, it is concentrated on the transportation service market. This also implies that there is a huge potentiality for the development of logistics in Korea. Korea makes full use of its advantages such as small land size, higher degree of logistics distribution socialization, make Korean Third Party Logistics in a booming growth stage.

3.2 Services provided are more competent
Affiliates of the domestic third party logistics providers are in cooperation with their partners for promoting strategic development. The affiliate and partner of CJ Korea Express is Kumho Aisana; that of Hanjin is Korean Air and Hanjin Shipping; that of Hyundai Logistics is Hyundai Merchant Marine; and that of CJ GLS is Accord Logistics. This is the potential for future development by
establishing partnership with affiliates. Therefore, they have the potential to offer diverse and swift services.

3.3 Overseas Logistics Market is emerging.

As the center of the world economy has moved to Pacific Rim and Northeast Asian countries, demands for third party logistics will continue increasing. At this point in time, domestic companies, based on careful examination and analysis on overseas markets, should make efforts to occupy the markets in advance and to take a superior position in competing with global third party logistics providers. China is emerging as the center of the world logistics industry. Domestic logistics businesses can take a favorable position in dominating the Chinese market and securing a logistics infrastructure across the country, based on the fact Korea has a geographical advantage as a neighboring country and can take advantage of Korean manufacturers that have done business there since long time ago.

4. Conclusion

Through Survey analysis, it is not difficult to conclude that Korean 3PL industry aims to establish strategies for globalization. Globalization of logistics is not only one of national policies but also the responsibility of domestic third party logistics providers. Globalization will make the domestic companies more competitive in potential markets in the world. As for government, the supports for globalization should focus on control of second party logistics for invigorating third party logistics, improvement in the structure of poorly-equipped logistics businesses and establishment of the culture of logistics cooperation with client firms at home and overseas for restoring the reliability of domestic logistics businesses.

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References


