

# **A Study on the Core Competence of the Third Party Logistics Enterprises -- Taking Rongqing Logistics as an Example**

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DOI: 10.6007/IJARBSS/v7-i5/2894 URL: <http://dx.doi.org/10.6007/IJARBSS/v7-i5/2894>

## **Abstract**

With the strengthening of global economic integration as well as the rapid development and the improvement of maturity of the third party logistics industry, the strong competitive pressure of the international and domestic market puts forward higher requirements for the third party logistics. the key to win the competition lies in the cultivation and promotion of core competence. The paper aims to explore the problem of core competences. Firstly, the concept of core competence is put forward; and to analyze the influencing factors. Secondly, taking Rongqing logistics company as an example to explore the problem in the process of building core competence of the third party logistics enterprise. Finally, to put forward measures, strategies and suggestions on building the core competitiveness of the third party logistics enterprise.

**Keywords:** *Third party logistics, Core Competence, Rongqing logistics.*

## **INTRODUCTION**

In twenty-first Century, especially, since China accessing to the WTO, with the growing trend of economic globalization and the international and domestic market competition, it brings great challenge to the third party logistics enterprises in China. If the third party logistics companies want to survive and develop, it must abandon service homogeneity and low price competition. At present, building and enhancing the core competitiveness of the third party logistics enterprise has become a cornerstone of the fortress in the market of the enterprise and a necessary foundation for the survival and development of enterprises.

Now, the huge potential in China market attracts the attention to the third party logistics of many giant international companies, because the output value of the third party logistics enterprise in China reached RMB 2000 billion yuan by 2016. It is expected that the number of third party logistics enterprises will increase from 20% to 28% in the next few years, and many foreign logistics enterprises have settled in the Chinese market. the third party logistics enterprise in China only to face domestic competition, but also to cope with the competition of the international giants. Facing the grim and fierce competition, the third party

logistics enterprises in China must build its core competitiveness in order to survive, development, and have their own space.

Since China entering WTO, China's economic activities have also joined the family of economic globalization, which greatly promote the development of China's economic competition, but also exacerbate the competition of logistics enterprises. It puts forward higher requirements for the development of the third party logistics in our country. Although the third party logistics in China shows a steadily rising trend, but the proportion of the third party logistics is still low, only 1/3 of the developed in China compare with the developed countries. To this end, The development space for China's third party logistics is still great.

the formation of core competence of enterprises needs to have a sense of teamwork and cohesion to do backing, and a long-term effective design and organizational guarantee, not happen overnight. In market competition, only the enterprise of the core competence with distinct characteristics can occupy the active position, and develop at a faster speed as well as obtain higher profits, so that so that enterprises are invincible (Fu, 2009).

the restriction factors of the third party logistics development was studied, and put forward the main construction and cultivation methods how to build the core competitiveness of the third party logistics enterprise (Sun & Song, 2013).

if enterprises are invincible, in face of fierce competition and internationalization, enterprises must have more fruitful to engage in production and business activities and the ability of solving all kinds of problems than competitors, but the core competence is the source of sustainable competitive (Xu & Wu, 2009). In order to obtain the long-term competitive advantage of the limited resource level, we must focus on the core business and highlight the core competence.

cultivating core competitiveness is the urgent task of the third party logistics enterprises in face of the challenges of industry competition (Xu, 2009).

Based on above, The paper aims to explore the problem of core competences. Taking Rongqing logistics as an example, we discuss the existing problems and influence factors in building the core competence, and put forward measures on which build and cultivate the core competence of the third party logistics enterprise.

## **The CONCEPT OF THIRD PARTY LOGISTICS AND CORE COMPETENCE**

### **The concept of third party logistics**

The third party logistics enterprise (3PL or TPL for short), refers to all or part of the logistics are subcontracted to a professional company, which can provide diversified logistics services for customers, known as the third party logistics service provider (Guo, 2013). It is explained in the paper as follows: the third party logistics is a professional logistics service mode that logistics enterprises of outside supplier and demander replace the design of operation and management of part or all of the owner of the business based on long-term cooperation contract, where the third party logistics service often include information management, warehousing, customs, freight agency, consulting, payment, negotiation, logistics system design, and electronic data exchange etc. (2013).

## **The Concept of Core Competence**

The core competence was first proposed by two professors Prahalad and Gary Hamel. The so-called core competence refers to the ability that is unique and difficult to imitate, which the third party logistics enterprises compared to competitors[1]. It is built on the key elements of enterprise and core resources, which the enterprise comprehensive advantages such as intelligence, technology, product, management and culture reflect in the market, and what the enterprise's key is providing maximum value in the long-term customer service. The core competence of the third party logistics enterprises refers to an ability which can efficiently configure, obtain and coordinate tangible and intangible resources, and provide quality services for customers, and achieve customer satisfaction and make the enterprise obtain the sustained competitive advantage in process of the provision of logistics services for customers.

## **ANALYSIS ON THE INFLUENCING FACTORS OF THE CORE COMPETENCE OF THE THIRD PARTY LOGISTICS ENTERPRISES**

The factors that affect the core competitiveness of the third party logistics enterprise has many aspects, it can be attributed to the following factors such as brand image and marketing ability, quick response ability, core technical support ability, organization ability, service quality and service network and so on.

First, brand and marketing ability. Marketing ability is the ability of enterprises to explore the value of customers, strengthen customer relationship, adapt to the market environment, and enhance the competitive advantage[3]. Whether it is to build the core competitiveness or enhance the core competitiveness, brand and marketing has played a key role. Because they are the largest intangible assets of 3PL, and to change into real profit advantage through the potential advantages, the impact of the core competitiveness of logistics enterprises will directly or indirectly play a role.

Second, rapid response capability. The rapid response ability of the enterprise is the corresponding response that the third party logistics enterprises in the face of market changes, mining market opportunities, avoid threats, and adjust service models. In ordinary language, it is new core competence in an uncertain environment. The third party logistics enterprises must have their own competitive advantage and rapid response ability in order to survive and develop in the constantly changing competitive environment. The rapid response ability is the key to win for the logistics enterprises, it is the embodiment of the overall quality and overall strength of logistics enterprises.

Third, The core technical support ability. The core technical capabilities of the third party logistics enterprises not only are closely related to the existing logistics equipment, but also closely related to the use of information technology for enterprise, and it also embodies the enterprise technology and equipment applied to the service such as inventory control, packaging, distribution, transportation, information technology etc. If the third party logistics have a full range of core technology support ability, then its development will be unprecedented and limitless.

Fourth, organizational capabilities. Organizational capabilities refer to better and faster convey inputs to outputs, that is, the service ability compared with competitors under the

same conditions[4]. It is a great competitive advantage for enterprises to pay attention to the organization ability of and to highlight the excellent organizational ability of enterprises. In order to achieve a high level of service and low cost target, and form enterprise competitive advantage, the third party logistics enterprises need to find the best combination of customer demand and the allocation of resources, and optimize the allocation of internal resources and external resources so as to form a comprehensive customer service system and achieve efficient and sustainable operation of all part as well as the function of business with each other based on the market demand and development strategy.

Fifth, service network and service quality. Network is the biggest development trend of modern logistics, and what the network structure from the point to the line and cable to the surface is the basis for the operation of logistics and support for the third party logistics enterprise. Because there is no form the network of distribution operation system, it can not meet the needs of customers for the third party logistics enterprises. Therefore, the logistics enterprises must realize the service network in order to form a fundamental competitive advantage. Of course, the quality of service is the protection of all and the cornerstone of the survival and development of enterprises. Good quality of service is not only a good reputation and good corporate image, but also competitive advantage.

## **TO BUILD THE CORE COMPETITIVENESS PROBLEMS OF THIRD PARTY LOGISTICS ENTERPRISES**

The rapid development of China's economy makes the third party logistics rise rapidly and rapidly expand in occupying the market share of the logistics industry. However, building the core competence of the third party logistics enterprise is still the key. Now taking Rongqing logistics as an example, we analyze the problem of building the core competence of the third party logistics enterprise.

### **Lack of clear market positioning**

At present, most of the third party logistics in China is still based on transportation, warehousing and other basic logistics business activities, but value-added services on logistics activities such as process, distribution, service customization and other functions are still in an initial stage, and does not constitute an organic and integrated supply chain logistics system. The reason is that there is no clear market positioning of their own business. There are three division such as ordinary goods, cold chain, and chemical that provide warehousing, transportation, distribution and other logistics business in Rongqing. However, as the third party logistics enterprises, although its market positioning is mainly the cold chain logistics, in fact, the whole business operation on the cold chain brought by far less than general cargo and chemical industry, the development of cold chain logistics is still in a primary stage of germination.

### **The management level being low, and the standardization of service having not been formed**

The third party logistics enterprises in China haven't regular management and perfect service like enterprise logistics, and its internal management and strategic thinking is not so professional and exquisite, and the structure of management function is not clear, even some do not work and do not put in a lot of effort in management. Due to the low level of management, it is difficult to form a system of logistics services. Although the development of

logistics is very fast in Rongqing, there are still some problems in business management. Operation of Rong logistics mainly depends on their cooperation in sales team and customer service team and operation team, where sales team play the front end, customer service team carry consolidation, maintain and track, and the operation team is in charge of operation and stability of the rear, there are many unreasonable and non-standard in the management of the three teams. Since responsibilities of division are not clear, there exists many problems such as customer complaints, the situation often kicked the ball.

### **Less service function, low level of service quality**

At present, the development of third party logistics in our country is still at a very low level, and there was a wide gap compared with the developed countries. In other words, the logistics services provided by the third party logistics enterprise in China is single, only has the function of storage and transportation, can not value-added services. In fact, Rongqing logistics is the traditional supply chain to provide warehousing and transportation services, so it can not provide other value-added services to customers. Because its level of service was at relatively low stage, and emphasized customer service, a systematic customer service management system has not been established, and customer maintenance and customer was not good.

### **Lack of professional talents in the third party logistics enterprises**

One of the main obstacles to the development of logistics in our country is the lack of professionals in the third party logistics enterprises. Although employees of each of the logistics enterprises are many, the staff who are with the professional logistics knowledge and the full service idea are few. The lack of professional talents in enterprises leads to the slow development of enterprises, and does not have special core competence. The lack of talent is obvious in RongQing. If loading and unloading forklift drivers are not required to be professionals, warehousing, customer service, sales, and vehicle management need professional team, but most of the employees in the whole enterprise are simple farmers or have no education, let alone professional. In fact, the lack of talent is very limiting for the development of enterprises. Because of the lack of professional logistics knowledge, the understanding of the operation of the business is not thorough, and in many cases will make some low-level mistakes. The lack of professional talents will hinder the learning ability, innovation ability and development ability of the whole enterprise.

### **Lack of innovation ability**

In fact, it is not wrong that most of the third party logistics enterprises run for profit-making purposes. However, they ignore the importance of continuous learning. Since many third party logistics enterprises do not learn advanced logistics theory and lack of understanding for the advanced logistics enterprise management, they remain at the stage of experience management and extensive management. If do not have the ability to learn, advanced management ideas in mind, the latest development of logistics and professional logistics knowledge, it is impossible to be creative. In Rongqing, learning opportunities are very

much, and corporate culture is very good, every Saturday, the staff are gathered together by the Ministry of human resources to learn exchanges. Each week, there are different topics and with a lecturer. But the overall atmosphere is that employees do not want to learn, lack of learning ability. Lack of learning ability and the driving force of innovation.

### **The third party logistics enterprise informatization level being low**

The low level of information technology and the use of small scope has seriously hindered the rapid development of logistics enterprises. In the era of information, if do not use informationization, it is bound to keep up with the pace of the world. For small and medium-sized logistics enterprises, which showed slow growth, no growth or even reverse the growth, because information technology is not applied in the field of logistics, and the low informatization level, it has become technology bottleneck restricting of development.

### **THE MEASURE AND COUNTERMEASURE THE THIRD PARTY LOGISTICS ENTERPRISES TAKE TO BUILD AND IMPROVE THE CORE COMPETITIVENESS**

The long-term development of the enterprise means the unique core competitiveness belong to its own, since the core competitiveness is the core foundation of the enterprise's rapid and long-term development, therefore, to refine、forge、build the core competitiveness out of itself is the premise, the stability and the development.

### **Reasonable positioning and revealing the feature**

To achieve the reasonable positioning and reveal the feature, several fundamental prospective questions should be considered seriously: who are our customers, what kind of service, what level of service should we provide to our customers, how to provide the effective service and satisfy our customers. The enterprise must pay attention to market positioning. According to both the market demand and customer demand changes, and also the enterprise itself resources, reasonable positioning, providing the logistics services of characteristics and showing the features of the enterprise are the important measure to make the enterprise more core competitive .

The enterprise should avoid diversified management, and have a specific market positioning. In the process of capital operation, the enterprise should make a detailed planning to perfect the system for a long-term development, find the enterprise's accurate position, strengthen the enterprise's core business, completes the enterprise's products and services, reasonably position and further improve the core competitiveness of the enterprise.

### **Improve the ability of enterprise organization and management**

In the Chinese market, the logistics itself start late, and the third party logistics start later, China logistics market as one big fat, foreign logistics companies also want a piece of the profit, so they pour into and station in China. Facing so fierce competition, if 3PL companies want to develop and survive in the domestic market, they must change the rigid logistics



management system, improve the organization and management ability of enterprises. On one hand, in order to improve the operation management of the third party logistics, the government management system must adapt to the development of the third party logistics enterprise. The government should publish some related logistics policies, support the logistics enterprises, but also become bigger and stronger from its own special characteristics and provide more accurate and more complete logistics services for the customers. On the other hand, not only for the management or the service, the enterprise internal must improve the related management rules. The enterprises must constantly optimize the logistics service environment and purify the logistics environment so that can develop in a good, orderly and fair third-party logistics environment.

### **Introduce the supply chain management mode, and do the best logistics service**

The so-called supply chain management refers to that, on the premise of satisfying the needs of consumers, the enterprise can combine the suppliers, manufacturers, warehouse, distribution center and distributors together to effectively organize the content of the product production, sales and after-sales such that the whole system has the lowest cost. When introducing the supply chain management mode, the third party logistics enterprise must consider the characteristics of the supply chain, and with the need of the customer, provide for the customer warehousing, transportation, distribution processing, handling, information and the other services. However, the biggest characteristics of the supply chain in fact is the supply chain coordination, overall consideration of being intensified and coordinated, thus, not only ensure the need of the supply chain operation and reduce the logistics cost of the supply chain between enterprises.

Most of the upstream customers of the third party logistics enterprises are the production-oriented enterprises, then according to the costumers' constantly changing, constantly growing and constantly varying need, you can broaden the scope of service, provide the full range of professional logistics service from beginning to end, such as circulation processing, freight forwarders, etc., even can also provide distribution, transportation, and even packaging processing in the integration of supply chain services. Now the third party logistics enterprise need to apply the related theory of supply chain to reorganize the business process and set up a relatively perfect service supply channel, then improve the core competitive power of enterprises from the root.

### **Doing logistics based on providing services, paying more attention to the value-added services**

"The value –added services include distribution processing, logistics information services, logistics cost control, logistics project design, the entire property services, and the property services in the logistics process and so on, they not only can help gain profits, but also become the weak link in our country third party logistics services" [6]. To this end, the expansion of the value-added logistics services is the problem the third party logistics enterprise must face, try to put themselves in the whole supply chain and provide customers

with complete and efficient supply chain services. First of all, to accurately understand and grasp what demand customers have, which is the key of the third party logistics enterprise to enhance the core competitiveness. It is well-known that the need of the customers often is various, of uncertain factors, we need to carefully analyze, and improve the occasion. The customers always feel difficult to make a very accurate description of their need, this requires enterprises to strengthen the communication with customers, continuously to explore the diverse needs of customers, and describe the customer heart with the understanding of the precise way.

### **Strengthen the cultivation and introduction of professional talents**

The equipment with professional talents of logistics is also one key fundamental factor for the third party logistics enterprises to build the core competitiveness, the development of the enterprise is closely linked with its emphasis and training on the talents, to a certain extent is in direct proportion to them. The third party logistics enterprises' long-term, healthy and stable development can't do without the talents with high quality like logistics engineer. Because our country's third party logistics enterprise lack professional talents on logistics management, science and technology and practical application, so the enterprises on the one hand need to send special HR specialist to search for all kinds of logistics talents; Another aspect is to cultivate talent reserves. One important and simple way to reserve and develop is that, with the aim at improving the enterprise staff's knowledge level, strengthen the cooperation with universities to carry out regular professional training, at the same time, the enterprise must have their own set of perfect human resource management system, rewards and punishment system, and promote the rapid growth of employees.

Nowadays, with the increasing development of knowledge economy and talent competition, human resource has become a more and more important competitive advantage the modern enterprise value, therefore, to create their own enterprise's core competitive ability, the cultivation of the talent is the fundamental. For the domestic third-party logistics enterprises in our country, they must constantly improve the professional quality and comprehensive quality of the logistics practitioners, otherwise, even the best technology and the best equipment, without professional talents, can also not play a proper role, or highlight the advantages of professional, namely core competitiveness.

### **To enhance enterprise's learning and innovation ability**

Professor Peter of the Massachusetts Institute of Technology says: "In twenty-first Century, the competition among enterprises is essentially the competition of enterprise learning ability, and the only advantage of competition is the ability to learn faster than the competitors." Therefore, for the third party logistics, to maintain its core competitiveness and even enhance the core competitiveness must learn to study and innovate, continue to learn advanced management experience at home and abroad, and continuously meet the new requirements of the market and the customer, make quick response, establish a modern logistics to adapt to the system of the third party logistics, and continuous innovation.



The third party logistics enterprises should be closely combined with practice, in the process of continuous learning and the accumulation of experience, absorb, quote and learn to domestic and foreign advanced management ideas and methods and successful experience, and actively explore effective ways of creating learning enterprises, create the good atmosphere of learning and innovation on learning at work as well as work in the study, so as to competitors difficult surpass and imitate the core competence.

### **To enhance logistics facilities and equipment, to increase the application of information technology**

The old and backward logistics facilities and equipment can not adapt to the development of modern logistics and seriously hampered the operation of logistics services mechanization and automation. In the process of modernization of logistics facilities and equipment, we should not only improve the quality of logistics services, but also take into account the cost of logistics services. Following the principle of market economy and making full use of advanced logistics equipment at home and abroad constantly improve the level of logistics services, but in the process can not just blindly pursue modernization, regardless of their own conditions. Efforts to find a moderate balance between the level of logistics services and logistics service costs, under meeting the needs of a certain logistics services, we use artificial labor if save money, otherwise use of machinery.

It's a matter of the core competitiveness of enterprises that is not only equipment and other hardware equipment, more importantly, it's software facilities. Now, the most important thing is to introduce modern information technology and increase the application of information technology. If the enterprises apply modern information technology, then it will be able to improve the quality of logistics service, shorten the operation cycle, and reduce the cost of logistics. The most important thing is to promote the enhancement of the core competence of the third party logistics enterprises in our country. In addition, due to the virtual organization, agile manufacturing, dynamic alliance and other aspects are having a series of significant change and innovation. It is necessary to strong concern relations and links of information and all aspects of enterprise cooperation, it also needs to reform the logistics information technology.

### **To enhance the enterprise's marketing ability, to shape the brand image**

Marketing ability is an indispensable factor in the core competitiveness of enterprises. To enhance the marketing ability of the third party logistics enterprises can be carried out through the following ways: First, setting up the advanced marketing idea, which include brand marketing concept, establish the knowledge marketing concept, set up cultural marketing concept, establish the concept of relationship marketing, establish characteristic marketing concept, establish green marketing concept, and establish innovative marketing concept etc.. Second, to make a reasonable marketing strategy, including the development of service product strategy, pricing strategy, developing cooperation strategies and promotional strategies, etc.. The market influence for the third party logistics enterprise is reflected by the

marketing ability in the process of development, and It transforms the potential competitive advantage into the actual profit advantage, which directly or indirectly affect the core competitiveness of the logistics business.

Brand plays a very important role in the third party logistics enterprise, because the intangible is one of the most obvious characteristics of logistics service, that is, the brand effect of enterprises. The influence of the brand marketing ability on the enterprise profit is also very intuitive, and the effect of the competitive advantage is underestimated. Brand is the guarantee of quality and reputation, and in the intangible characteristics of services, may reduce the cost and risk of consumers, and making the user's judgment on the quality of service will be more dependent on the brand. Brand and its marketing ability to a large extent to promote the core competence.

## **CONCLUSION**

Only the competitive advantage built on the core competence, is reliable and competitive advantage. If the third party logistics enterprises have their own core competitiveness, and provide customers with the personalized logistics services that is higher quality and lower cost, customers have no reason not to use the services provided by the third party logistics companies.

With the increasingly fierce market competition, there is no doubt that it is a particularly important content for building and cultivation of the core competitiveness. As the most rapidly developing industry in the 21st century, the third party logistics enterprises must create the competitive advantage based on the core competence, so as to play a strong role in the competitive advantage. the third party logistics enterprises must focus resources through the market positioning of the focus, loyalty and sustained investment, painstaking efforts, nurturing the core competitiveness, and put it as the basic strategy for the enterprise to maintain long-term competitive advantage, can make the enterprise in an invincible position, maintain everlasting. Therefore, Only the third party logistics enterprises integrate their own resources, concentrated its resources, improve the level of information, train excellent logistics management personnel, and reasonable position, so as to cultivate the core competence of the third party logistics enterprises and obtain long-term stable development. To ensure a good operation, can effectively guarantee the long-term competitive advantage of the enterprise, so that has always been invincible in the fierce market competition.

## **ACKNOWLEDGEMENT**

This research was financially supported by the Key Research Project of Shandong Undergraduate Teaching Reform' Research and Practice on training model of Five in one Applied Talents', the Funds for Disciplines Team of Business and Logistics in Linyi University and the key professional construction for Shandong financial support program—Logistics Management.

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