

COMPLEX, COMPETITIVE & FRAGMENTED

The logistics sector has been a critical element of China's relentless economic growth during recent decades, presenting both opportunities and challenges for logistics users and service providers alike.

Third party logistics (3PL) penetration – where transportation and warehousing activities are outsourced to a third party – is around 20% in China. Contrast that to the USA where the penetration rate is around 45% and Western Europe where it's almost 50%, whilst in Japan outsourcing reaches 80%.

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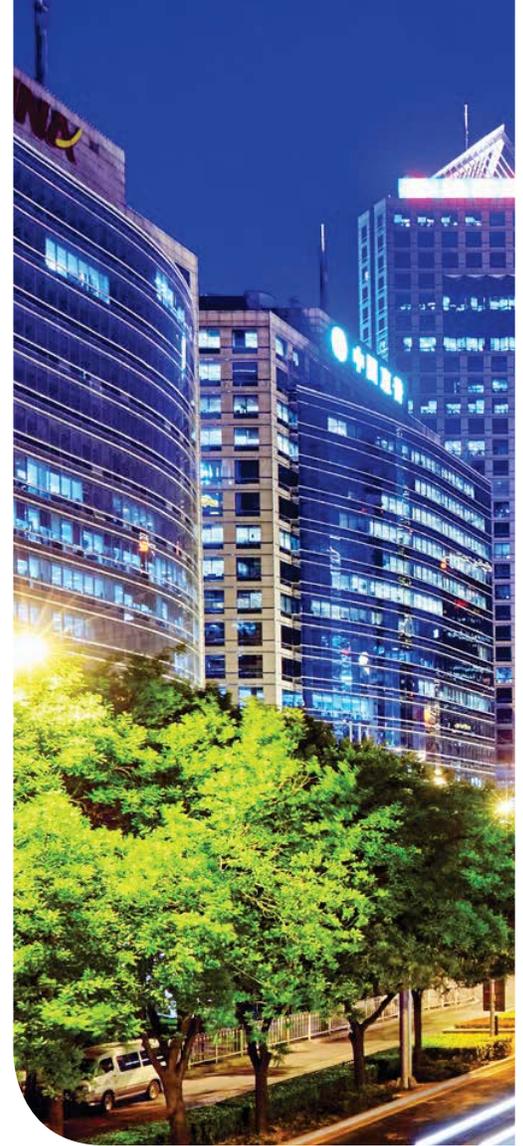
The low 3PL penetration rate in China is a function of it being early days for outsourcing – vertical integration is the traditional approach of Chinese companies. It also indicates the relative immaturity of the

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logistics sector – reflecting the developing market environment.

China's logistics sector remains hugely complex, brutally competitive and massively fragmented – even the top 50 logistics players, led by Cosco, Sinotrans, CSC Holdings and China Shipping with combined sales revenues of more than RMB 2 billion, have less than 2% share of the total market.

Transportation accounts for over 52% of China's logistics costs. Trucking accounts for the largest proportion of the logistics market in China with 78% of all domestic cargo being moved by road. A huge and massively fragmented sector with over 790,000 road hauliers, the top 20 trucking companies have only 2% of the total market.



Providing transportation to service nationwide domestic distribution networks typically involves engaging numerous trucking sub-contractors – with the majority of them being owner-operators with just one or two trucks – rarely of good quality and with little, if any, modern technology. High road tolls, stringent regulations and increased taxes are just some of the issues facing logistics companies in China, with road tolls now representing over 30% of total transportation costs.

International logistics companies providers are providing nationwide transportation solutions only through tightly managed networks of pre-



qualified sub-contractors, combined with adoption and deployment of proprietary technology solutions for electronic track and trace.

The mainland government is keen to improve the overall quality of warehousing and transportation services and the logistics sector itself. In 2014 the Ministry of Commerce announced new policies to develop China's commerce and trade-logistics industry. These new policies include the further development of both e-commerce and cold chain sectors, whilst local governments are encouraged to implement tax incentives for logistics companies.

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With the exponential increase in B2C e-commerce orders severely stretching the existing logistics capabilities, users and service providers are all keen for government support to further develop the industry in China.

Learn more about the exciting developments in China's Logistics Sector at the 10th China (Shenzhen) International Logistics and Transportation Fair (CILF 2015) taking place in Shenzhen, China during 14-16 October 2015 – WLI are a Supporting Partner – full details at www.scmfair.com/en/ ■



By Mark Millar



Mark Millar 马克 – Bio

“One of the Region’s Supply Chain Leaders”

China Supply Chain magazine CHAINA

“One of the most Progressive People in World Logistics”

Global Institute of Logistics

Acknowledged as an engaging and energetic presenter, clients have engaged **Mark Millar** as Speaker, Moderator, Conference Chairman or MC at more than 350 corporate events, client functions and industry conferences across 23 countries.

Mark leverages over 30 years global business experience to provide value for clients with informed and independent perspectives on their supply chain strategies.

His ‘Asia Supply Chain Insights’ series of corporate briefings, consultations and seminars deliver practical knowledge and educated insights that help companies navigate the complex landscapes in Asia, develop new business opportunities, improve the efficiency of their supply chain ecosystems and make better informed business decisions.

Author of [“Global Supply Chain Ecosystems”](#) published by Kogan Page of London, Mark is a Visiting Lecturer at Hong Kong Polytechnic University and has delivered Guest Lectures at Georgia Tech (Atlanta), RMIT (Ho Chi Minh City) and SP Jain (Singapore & Dubai).

He is a Graduate of the Australian Institute of Company Directors (GAICD), Chartered Fellow of the Chartered Institute of Logistics and Transportation (FCILT), Fellow of the Chartered Institute of Marketing (FCIM) and an APICS SCOR-P certified Supply Chain Professional.

Mark achieved an MBA with Distinction from the University of the West of England, is a Graduate of the Chartered Institute of Marketing and holds a post-graduate Diploma in Management Studies.

His international track record in the B2B services sector includes 20 years in the Asia Pacific region, where Mark led business development initiatives across ten Asian countries. His distinguished corporate career included executive positions at Thorn EMI, RR Donnelley, ModusLink, Platinum Logistix, Exel Contract Logistics (now DHL) and UPS Supply Chain Solutions - serving many leading companies in the Consumer Retail and High Tech Electronics sectors.

He has lived and worked in the UK, the Netherlands, Australia, Singapore, USA, Ireland, mainland China and Hong Kong. Whilst with the Thorn EMI group in the UK, Mark’s international sales leadership earned Thorn Secure Science the “Queen’s Award for Exports”.

Appointments: an active and enthusiastic industry contributor, Mark currently serves as:

- Asia Ambassador, East West Transport Corridor Association, Europe
- Advisory Board Member, Institute for Supply Management, Hong Kong
- Council Member and Chair of Logistics Policy Committee, CILT Hong Kong
- Head of International Relations, Vietnam Supply Chain, Ho Chi Minh City
- Chairman, Logistics Committee, British Chamber of Commerce, Hong Kong
- Chairman, International Relations Committee, Hong Kong Logistics Association
- Advisory Board Member, Logistics & Supply Chain Management Society, Singapore
- International Advisor, Logistics & Supply Chain Management Association, Shenzhen
- APAC Regional Leader and International Advisor, Supply Chain & Logistics Group, Dubai

Accolades: Mark’s commitment and expertise has been recognised with several accolades:

- “Top 50 influential individuals in Asia Supply Chain & Logistics” 2015
- “Pro’s to Know, Supply Chain Providers” 2014
- “Chartered Fellowship” awarded by Chartered Institute of Logistics & Transport 2010
- “Supply Chain Thought Leader” Pro’s to Know 2009
- “One of the most Progressive People in World Logistics” 2008
- “Supply Chain Veteran” Who’s Who of Supply Chain in Asia 2008
- “China Supply Chain 20: the Who, What and Why of China Supply Chain” 2007
- “Who’s Who Top 20 Power Players in Supply Chain Management in China” 2006