

Boosting logistics in China



In continuing its impressive development path of recent decades, China has become two economic markets that are interconnected and converging:

- Its **Global** market which is driven by mass production for export to developed countries, and
- Its **Local** market which revolves around rapidly expanding domestic consumption.

Multi-national companies first came to China to take advantage of abundant supply of low-cost labour and incentives to establish operations in Special Economic Zones. Nowadays they remain in China to sell products to Chinese consumers in the local market. Factories and shops are interconnected and converging – the workers have become the shoppers. One development has fuelled the other, increasing economic prosperity across the nation. The latest saying is that the foreign companies “came to China for the workers, now they stay in China for the shoppers”.

From the China logistics perspective, the emphasis is therefore no longer purely on transporting products from factories to the ocean ports on the eastern seaboard for export to the developed markets.

Nowadays there is just as much emphasis on distributing goods within and throughout the domestic China market in order to reach the increasingly prosperous consumers located all over this vast country.

Mark Millar — MBA, FCILT, FCIM, FHKLA, GAICD

Hong Kong-based Mark Millar leverages 25 years global business experience to provide value for clients with informed and independent perspectives on their supply chain strategies in Asia.

His ‘Asia Supply Chain Insights’ series of corporate briefings, consultations and seminars help companies navigate the complex landscapes in China and ASEAN, improve the efficiency of their supply chain ecosystems and make better informed business decisions.

He serves on the advisory board of several leading organizations and his industry contributions have been recognized with a number of accolades, including being named in the “Who’s Who of Power Players in Supply Chain Management in China”, the “Pro’s-to-Know Thought Leaders in Supply Chain” and as “One of the most Progressive People in World Logistics”.

London based business book publisher, Kogan Page have commissioned Millar to write the book ‘Global Supply Chain Ecosystems’, due for publication in 2015. Mark@MarkMillar.com

The logistics industry has been a key part of China's relentless economic growth. The latest report from the China Federation of Logistics and Purchasing (CFLP) says that China's logistics industry was worth RMB 177.3 Trillion (US \$ 28.7 Trillion) last year, up 9.8% from the previous year, mainly fuelled by the country imports of raw materials.

Logistics Sector:

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Transportation accounted for over 52% of China's logistics costs with 78% of all domestic cargo being moved by road. Road transport companies account for the largest share of the logistics market in China with 790,000 road hauliers, but the top 20 trucking companies share less than 2% of the market.

As reported by Asia Maritime, 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 (US \$ 323.75 million), have less than 2% of the total market.

Li & Fung's latest China Logistics report says that high road tolls, stringent regulations and increased taxes are some of the issues facing logistics companies in China, with road tolls now representing 33% of total transportation costs. "Excessive highway tolls, as well as price hikes of fuel and labour, have eaten into many logistics enterprises' profits," the report says.

Continuing economic development in both production and consumption sectors brings new challenges and opportunities for the logistics industry. Although logistics in China is the

backbone of the domestic supply chain, the industry itself remains complex, inefficient and fragmented.

Third party logistics (3PL) penetration - where transportation and warehousing activities are out-sourced 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%.

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 logistics sector - reflecting the developing market environment.

Whilst we are seeing improvements in the quality of warehousing infrastructure - largely driven by property developers, the increasing presence of multi nationals and related investments - the domestic transportation sector remains massively fragmented and hugely challenging.

Providing transportation to service nationwide domestic distribution networks typically involves 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.

International logistics service providers are providing nationwide transportation solutions through tightly managed networks of pre-qualified sub-contractors, combined with adoption and deployment of technology for electronic track and trace.

As China's economy continues to develop, the logistics sector will mature and outsourcing levels increase. The

increasing presence of multinational companies in the domestic market, accelerates the deployment of international best practices in logistics, embracing multi modal transportation, structured distribution networks and efficient supply chain ecosystems.

CILF, Shenzhen hosts UK Pavilion for the first time

Held jointly by the Ministry of Transport of the PRC and Shenzhen Municipal People's Government, the China (Shenzhen) International Logistics and Transportation Fair (CILF) is the largest logistics and transport expo in Asia for the logistics services, supply chain management, ports and shipping, air cargo, multi modal transportation, technology solutions and material handling sectors.

Featuring the 'Business is Great' branding, the UK Pavilion comprised a multi-user exhibition space which provided a cost-effective platform for UK-based SME service providers to explore business opportunities in the China logistics sector.

For the first time in its nine-year history, CILF hosted the UK Pavilion. The UK Pavilion initiative was led by China-based, award winning industry leader Mark Millar, who serves as Chairman of the Logistics Committee at the British Chamber of Commerce in Hong Kong and as International Advisor to CILF organisers LSCMA in Shenzhen.

British companies exhibiting on the UK Pavilion included business book publisher Kogan Page, supply chain technology thought leaders Pantechnik International, industry specialist training provider The Resources Group and third-party logistics group Trade Distribution.

For most exhibitors, this was their first adventure into the China market.



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