Operational Model of China’s Express Services Industry: A Case Study of SF-Express

Ying Liu\textsuperscript{a}

Associate Professor, Department of Logistics Technology, Zhejiang Technical Institute of Economics, China

Tae-Won Kang\textsuperscript{b}

Assistant Professor, Department of Logistics, Kunsan National University, Korea

Contents

Abstract
I. Introduction
II. Literature Review
III. Analysis of SF-Express’ Operational Model
IV. SWOT Analysis of SF-Express
V. Conclusion
References

Abstract

China has a very suitable environment for the development of the express industry. The growth rate of online stores in the world has exceeded the GDP growth of China and other countries. In the past five years, the express service market of China had expanded rapidly, reaching an annual growth rate of over 35%. Enterprises are engaged in this industry mainly because of the high profits, low entry requirement and great growth potential in the domestic market. This paper, through literature review, provided a case study of SF-Express, an outstanding privately operated express company in China. It analyzed the operational model of SF-Express to find out the effective means for enterprises to hone their core competitiveness for rapid development. It then used SWOT analysis to match opportunities, threats, strengths and weaknesses. This was vital for reaching optional strategic schemes for enterprises. Finally, it proposes some referential suggestions on the operational model of express companies.

Keywords: China’s Express, Operational Model, SF-Express, SWOT Analysis

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\textsuperscript{a} First Author, E-mail: 230051@zjtie.edu.cn
\textsuperscript{b} Corresponding Author, E-mail: twkang@kunsan.ac.kr
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I. Introduction

With the fast growth of the global economy and the changing market competition, enterprises are now demanding fast and safe delivery of commercial papers, product samples and other items involved in commercial activities. The consumers' requirements for purchase are stronger than ever before. This is due to social development and the heightened service needs of consumers. Since ordinary postal service and freight cannot meet this requirement, express delivery, a fast and door-to-door service, emerged from the traditional freight service. Express delivery provides enterprises with integrative service and delivers their business files and packages in a fast, safe and “door-to-door” manner. With the aid of the booming computer and communication industries, the express industry began to expand quickly in U.S.A and Europe since the 1960s. The core business of the second and ninth of the world’s top ten transportation enterprises in 1993 was express delivery, suggesting that express delivery was playing a significant role in transportation. In the recent decades, the express industry has gained a considerably stable position in most developed countries.

As the society and economy develops, the express industry begins to expand in developing countries as well. Although it has a history of only 30 years in China, express delivery realized enormous growth potential and managed to maintain rapid development. After its entry into the WTO, China achieved stable and fast development, along with the expanding express industry. In 2014, cumulatively 13.96 billion express items were successfully delivered, reaching a year-on-year growth rate of 51.9%. Business income reached ¥204.54 billion with a year-on-year growth rate of 41.9%. China exceeded U.S.A for the first time and became the world’s biggest power in express delivery (State Post Bureau, 2014). The current domestic market suggests that the major reason for enterprises inside and outside the industry to be attracted to the express delivery business is the big profit, high return, low entry requirement and huge potential for market development. The result of the rapid development of China’s express industry is fierce competition among express delivery companies. Due to this dramatic development, domestic enterprises are highly scattered and most private companies compete unboundedly. As a result, domestic express companies decrease the price, minimize the cost, expand networks and start an unprecedented intense competition in the express delivery market of China. Meanwhile, faced with a powerful attack from large enterprises, errors in market positioning and failure to build a consistent operational model cause the small enterprises to end up in bankruptcy.

Express delivery is an important part of the logistics industry. As a source of upgrade and added value in the logistics industry, it played a very important role in the global economic development where it exerts major influence. The restrictions on regions, districts and equity ratio of foreign capital were removed by the enterprises that are engaged in goods transport, goods lease, wholesale, retail and logistics of general goods and exit and entry of motor transport. This is in compliance with the commitments made by China upon its entry to the WTO. Since then, the domestic logistics industry opened up further and the express delivery enterprises have expanded to the outside world.

Due to the scattered distribution of Chinese
express enterprises, a number of express delivery enterprises provided uneven quality of services in the market. Affected by relevant policy system and environmental factors, it is unlikely for the main players to become differentiated in the market. In the existing environment of competition, Chinese express companies that lack competitive advantages are faced with dual pressures from the industrial firms at home and abroad. Maintaining the long-term development of the express industry is a primary issue among domestic express companies. They have been seeking competitive advantages in order to survive in the Chinese express industry.

We conducted a case study of China’s SF-Express and analyzed its operational model to find out an effective means to improve the core competitiveness of express companies in a rapidly developing industry. This paper used SWOT and other analytical methods to define the superiorities, weaknesses, challenges, threats and proposed relevant strategies and referential suggestions for express companies’ operational models. This is significant to improve the competitiveness of the entire industry, optimize the industrial structure and promote national economic growth.

II. Literature Review

In developed countries, the express delivery industry has expanded rapidly. Foreign academic circles started to conduct more research and analysis from macroscopic and microscopic perspectives. Madan (2006) first pointed out that first-rate and highly efficient services are playing an increasingly important role in the highly competitive world. Continuous innovation and constant improvement of customer service levels are the secrets that FedEx have in order to maintain leadership and competitive superiority in the shipping service industry (Madan, 2006). Frock (2008) summed up the experience of FedEx’s success from the perspective of corporate culture, development goals and business model and drew a conclusion that fast reaction and teamwork are important in its market operation (Frock, 2008). Park (2009) analyzed the factors influencing the air express service. He took the example of Korean Air Express and evaluated the competitiveness of different express companies in Korea. The research suggested that accuracy and promptness of express services are the two most influential factors. In addition, price is also a main factor influencing competitiveness.

The China Express Market Development Research Group (2006) studied the policy issues faced by the Chinese express industry in its development. The main topic was the relationship between express delivery and the postal service. The publication of this report was positively significant for promoting the development of the Chinese express industry and guiding the postal reform. Xu Xiyan (2009) looked into the strategic environment, the market structure and competition model of Chinese express industry, the relationship between Chinese express industry and the national economy, and the competitive edge and inferiority of local Chinese express companies. Based on the analysis, Xu Xiyan (2009) proposed a few policy suggestions for Chinese express industry to realize leapfrog development. Cheng (2004) conducted a countermeasure study on the industrial development of Chinese express. He inspected the current situation of Chinese and foreign express companies in China and the supply
and demand of the Chinese express market, focusing on the existing problems of the industry and the inside and outside environment of the industry. He put forward some countermeasures and suggestions for industrial development.

Dai (2009) conducted an in-depth investigation of ST Express. The paper also implemented a systemic analysis of ST Express’ external macroscopic environment, current industrial competitive environment, intra-company resource environment, current competitive edge, inferiority, potential opportunities and threats. Meanwhile, based on Porter’s theory of competition, strategic management of enterprises and marketing principles, the paper carried out strategic research on ST Express’ market competition and guided the implementation of differentiated competitive strategies. There were also some valuable references for the development of private express companies, strategic choices in competition and the development of the Chinese express industry.

III. Analysis of SF-Express’ Operational Model

In the tide of economic globalization, different industries and enterprises from different countries joined fierce competition in a global context. Fundamental changes are happening to the traditional market structure and environment. As a branch of the logistic industry with high added value, the express industry also followed the trend. In the intense and cut-throat competition among state-owned, private and overseas-funded enterprises, SF-Express (Group) Co., Ltd (hereinafter referred to as SF-Express), an outstanding practitioner in the logistic industry of China that intends to exploit the “blue ocean”, has never stopped its attempts in corporate resource integration and tapping retail terminals (SF convenience store), e-stores (SF-Best) and O2O (SF Heike).

1. Profile of SF-Express

SF-Express (Group) Co., Ltd was founded in 1993 in Shunde, Guangdong under the supervision of Wang Wei, a mysterious and legendary man from Hong Kong. As a comprehensive service type firm, SF-Express is mainly engaged in domestic and international delivery services and related businesses. By July 2015, SF-Express had 340,000 employees, 16,000 transport vehicles, 19 self-owned cargo aircrafts and more than 12,260 business outlets all over mainland China and overseas regions, covering 31 provinces, autonomous regions and municipalities of mainland China, over 300 large and medium-sized cities and over 1,900 county-level cities and counties.

The business volume of SF-Express reached ¥1.3 billion, ¥12 billion, ¥16 billion and more than ¥20 billion by 2004, 2010, 2011 and 2012, respectively. It ranked only second to state-owned express enterprise EMS and accounts for about 20% of the domestic express market. SF-Express, an outstanding private express company in its operational model, transport power construction, operational efficiency and service quality, has committed itself to becoming “the FedEx of China”.

The original business of SF-Express was the intra-day delivery between Shunde and Hong Kong. Later, with the increasing consumer demand, its service network extended to Zhongshan, Fanyu, Jiangmen, Foshan and other Guangdong cities. In 1996, as the
Chinese economy flourished and the number of consumers increased, SF-Express further extended the network to cities beyond Guangdong. Later, the Yangtze River Delta, east China, central China and other areas were reached as well. As SARS became prevalent in 2003, airline companies, being the first to be affected, had flight rates reduced dramatically. Seizing the opportunity, SF-Express signed a contract with Yangtze River Express and became the first and only private express company in China equipped with all-cargo aircraft. Additionally, SF-Express signed cooperation agreements with a considerable number of airline companies. It used the specialized belly holds of 230 domestic air lines to convey items among different cities of China, which have tremendously improved the delivery timeliness of SF-Express. Thirty-nine (39) out of 52 (accounting for 75% of the total) respondents of this paper claimed that they are impressed by the “high efficiency” of SF-Express. Relying on the revolutionary measure of aerial freight transport to facilitate business growth, SF-Express is able to deliver items 24/7 all year round, even during festivals and holidays. With timeliness even comparable to FedEx in first-tier cities as Beijing, Shanghai and Guangzhou, it realized “overnight delivery”. After SARS, SF-Express's annual turnover grew rapidly and reached an average annual growth rate of around 50%. Just during this period, relying on the overall acceleration, network expansion, multiple value-added services, middle and high-end market orientation and emphasis on service quality, SF-Express had comprehensively raised its delivery speed and competitive edge. It started with international development strategies and gradually extended its network to Southeast Asia, North America and other international regions.

SF-Express began the cross-industry business of self-built convenient stores in 2011. SF Best, an e-commerce brand owned by SF-Express, went online officially in May 2012. Aiming at the medium-to-high-end B2C food market, SF-Express prepared itself for tapping cold-chain logistics and became the first private express company of China engaged in e-commerce business.

2. Regular-chain Model

SF-Express adopted the franchise operation model at the beginning of the business. Most newly built service nodes were based on cooperation and agency. A new company must be registered as a new branch, which was owned by the local franchisee. All service nodes constitute the network. Although this model was economical and good for fast expansion, it had problems such as loose management, serious interest diversification, single product structure and a hard-to-build brand effect. SF-Express targets delivery business with high added value and its customers are more sensitive to speed and safety rather than the price. However, a considerable fraction of franchisees were originally transportation companies. They accepted other forwarding business besides express delivery, which turned out to be harmful to the timeliness and quality of service. After a few years of fast expansion, the franchisees of SF-Express acted of their own free will and damaged the quality and brand image of SF-Express. To handle all these problems and using the regular-chain model adopted by the four international express magnates for reference, SF-Express began to retire ownerships in 1999 and adopt the
operation model of "self-supporting + regular-chain". Meanwhile, it clearly defined its corporate architecture and the property interest of each branch, strengthened the regulation over each district, tightened the intra-company management structure and ignited the vigorous development and vitality of the company. In 2002, SF-Express founded its headquarter in Shenzhen and decided to retake power gradually by purchasing franchisee shares and running the business based on regular chains instead. In this way, it had transformed from the franchise model to a complete regular-chain model and established the only (except for China Post) direct-sales network in China's market. Afterwards, SF-Express has stuck to the self-supported model of all business nodes. Although it is costly, the execution is stronger and the service quality is stable. This has attracted a large number of loyal customers. Regular-chain operation is the secret of SF-Express's rapid development. Based on the unified management of all couriers, unified control of routes and customers, unified training and standardized operations, its operational quality has been improving constantly. Meanwhile, with the consistency between agents and the company and payment and welfare obviously higher than the industrial standard, the stability and efficiency of the base organizations have been tremendously enhanced.

3. Product Orientation

The strategies adopted by SF-Express concerning product orientation have been regarded as the key factor supporting its fast development. The company focuses its business on small item delivery but not package shipping. Moreover, in small item delivery, the company only deals with high-end international express delivery and medium-to-high-end business of the low-end domestic intra-city express. The principle followed by SF-Express in goods delivery included "home delivery, national network, 36-hour delivery, and ¥15 for 500g", which won SF-Express a good reputation within a short time. With a determined orientation, SF-Express finally chose terminal customers as its primary target client. It based and detailed its pricing for different types of customers. Currently, SF-Express' products include standard delivery, intra-day air delivery, intra-day land delivery, land carriage and ordinary freight. The company is mainly engaged in standard delivery, while intra-day air delivery, intra-day land delivery, land carriage and ordinary freight have been newly launched.

4. Outstanding Service

SF-Express sticks to the strategy of "advanced quality" and regards "fastest speed, highest security and highest customer satisfaction" as the company's core competitiveness. It constantly invests in vast resources and endeavors to strengthen its core competitive edge. By the end of 2006, in order to improve service quality, the company built a unified online ordering system, shipment tracking system, telephone ordering system and 20 large-scale call centers. It has more than 1,000 call agents that receive more than 5 million calls monthly. Most express companies are currently providing logistics inquiry service. However, users usually have to connect to the internet or make calls to consult. This is not always convenient, and the timeliness of service is poor too. Hence, SF-Express made a minor adjustment. A short message is sent
to the recipient when the package is delivered. By doing this, not only can the customer be informed of critical business progress, but the inquiry operation becomes unnecessary. The adjustment of such a procedure saves operating costs for the company, improves the customer experience and upgrades the service quality.

5. O2O Model- SF-Express’s Attempt of Strategy Transition

O2O stands for Online to Offline. SF-Express combines offline business opportunities with the internet and makes internet the foreground of offline transactions. Customers can have an offline experience first in the physical store SF-Heike before they visit the e-shop "SF-Best" to purchase goods or services. They can return online to confirm receipt after they actually receive the goods. In this era of mobile internet, consumers can screen services online with a mobile phone anytime. Transactions can be settled online and the trading of information can be checked in real time, which is consistent with the modernists’ way of consumption. Since every transaction is open and transparent, it is easier for merchants to manage their finances and customer relations.

SF-Express began to set up convenient stores named "Heike" in May 18, 2014. The first batch included 518 stores. SF-Express intended to gain the market share of e-business with an overwhelming gesture. By the end of October 2014, there were 2,975 SF-Heike stores. In addition to logistics express, the main business of SF-Express, Heike stores have a variety of virtual products covering most household wares, including fresh food, vegetables, snack food, home supplies, appliances, digital products, and skin care products, among others. Customers can try out product samples in Heike and decide whether to purchase them or not. After an order is placed, goods will be delivered, or the customer can pick up the goods in the store. Goods are allowed to be returned if the customers are not satisfied and SF-express will bear the freight expense. Each Heike store provides handy services for the public, including telephone recharging, utilities bill payment, citizen card refilling, and train and air ticketing, among others. In
the next step, Heike stores will provide other services such as ATM cash withdrawal, cold chain logistics, group purchase, forward sale, laundry, appliance repair and many more. However, the actual results are not promising. The near-3,000 Heike stores of SF-Express have been continuously losing money. Heike stores have the problem of unclear positioning and a messy model. The product and service of Heike does not have superiority in price and quantity. Heike makes a profit mostly by charging merchants who own the on-shelf goods and by collecting advertising fees. The profit space is limited. With a business orientation of community O2O, there are no physical goods in the store, which is just contradictory. Consumers heading for Heike can't take items back home. Instead, they have to scan QR codes and wait for the delivery. Hence, why wouldn't they just place an order online at home? Why would they have to do this in a Heike outlet? SF-Express has not made it clear whether they are going to enter the community O2O or a service store for its own e-business. The unclear positioning has directly resulted in the unclear development direction. The dilemma regarding the physical stores seems to be hard to solve. One year after being criticized by the public and questioned by the industry, “Heike” was renamed “SF’s” on May 18, 2015. All stores were redecorated and the services were upgraded. With the integration of “SF-Best+ SF’s+ SF-Finance+ SF-Express+ convenience service”, SF is about to build an all-channeled major O2O community platform. “Heike” and “SF’s” are audacious innovations and attempts. They would be the leader or model if they were to succeed.

IV. SWOT Analysis on SF-Express

SWOT analysis is an objective and accurate means of analysis and research on the actual

| Table 1. SWOT Analysis of SF Express |
|--------------------------------------|
| **Strength (S)** | **Weakness (W)** |
| 1. Ultra-strong service timeliness | 1. Weak international competitiveness |
| 2. Good brand superiority | 2. Low quality of employees |
| 3. Developed network coverage | 3. Lack of elite talents |
| 4. Good corporate culture | 4. Unstable network (relatively) |
| 5. Advanced information techniques | 5. High Price |
| 6. Rich industrial experience |  |
| 7. Wide financing space |  |
| **Opportunity (O)** | **Threat (T)** |
| 1. Promising national economic and industrial prospect | 1. Overall development of domestic market; |
| 2. Constantly normalized industrial environment | 2. Intense competition; |
| 3. Driving power of the e-commerce and huge industrial development potential | 3. Increasingly demanding customer requirement; |
| 4. Rapid progress of logistics technology and constantly improving delivery service | 4. SF-built logistics channels of e-entrepreneurs |
| 5. Well-known timeliness and broad range of delivery service needs | 5. Constantly increasing operating cost |
| 6. Constantly promoted urbanization and raising market consumption |  |
| 7. High population mobility, which is the basis of express market |  |
situation of the enterprise. It was made from Porter’s Model in early 1980s by the professors of the School of Management, University of San Francisco, USA. SWOT analysis is the organic integration of intra-company resource, external environment and corporate strategy. It lists the strengths and weaknesses of the company in details so as to show the potential opportunities and challenges of the enterprise. It has crucial significance for enterprises to generate competitive strategies for the future. This paper used SWOT analysis to discuss the development of SF-Express and proposed referential suggestions on its operational model in the future.

1. Competitive Strength

Competitive strength refers to an enterprise’s ability to exceed its competitors or a factor owned by an enterprise that creates competitive advantages. Data available suggests that SF-Express mainly has the following strengths:

1.1. Ultra-strong Timeliness

Statistics shows that private express companies are about 50% faster than EMS, but SF-Express is 20% faster than them. Besides, SF-Express built its own SF Airlines in 2010 to guarantee unrestricted air transfer. SF-Express has a strong initiative in cargo allocation and timeliness in transportation. A survey for this paper found that the “fast speed” of SF-Express has been widely recognized by consumers.

1.2. Good Brand Superiority

As an outstanding enterprise in the Chinese express industry and with more than 20 years of industrial experience, SF-Express has impressed domestic consumers with “fast speed”, which has resulted in improved consumer loyalty and gradual exertion of the brand advantage.

1.3. Developed Network Coverage

“Nodes are the lifeline of express enterprises.” The developed network coverage and node quantity owned by SF-Express is top-notch among all domestic private express enterprises. The more than 12,000 outlets all around mainland China have covered 31 provinces, autonomous regions and municipalities of mainland China, over 300 large and medium-sized cities and over 1,900 county-level cities and counties. In addition, it has also opened outlets or delivery services across Hong Kong, Macao, Taiwan, Korea, Japan, U.S., Thailand, Australia, Vietnam, Mongolia and other countries (overseas regions), except for a few offshore islands. Further, most of these outlets were transformed after 1999 from “self-support” to “directly controlled”. Although the operational cost had increased, it helped the head office to supervise all the branches and nodes, which perfectly guarantees the speed and quality of SF-Express.

1.4. Upright Corporate Culture

The incentive mechanism of SF-Express is comparatively developed compared to the Chinese express industry as whole. The Employee Manual, courier rating mechanism and the system of “dismissal upon depletion of administration score, business score and year-end zero-dearing” have comprehensively strengthened employees’ responsibility and professional ethics. With an experienced and
aspirant team, the quality and timeliness of the delivery service is effectively guaranteed. Moreover, SF-Express has always been sticking to its lofty visions: “facilitate customer, promote economy and develop national express industry” and “being the most trustworthy and respectable express company”. Earlier, it proposed the following strategic objective: “connect with the world to build the FedEx of China”. This fully embodied the core value of SF-Express.

1.5. Advanced Information Technology

SF-Express has achieved the highest degree of information in the Chinese express industry. The information construction of SF-Express is particularly estimable, with its perspectives and adequate consideration of the requirement by the management model reform made about three years later. Currently, SF-Express has built a job scheduling and controlling system, calling system, purchase system, financial management system, human resource management system, customer relation management system, knowledge management system, business performance management system, e-business management system and other important information systems. The high degree of information and automation has granted SF a leading place in industrial competition.

1.6. Rich Industrial Experience

After it was founded 20 years ago, SF-Express has been expanding gradually. The fast and safe service, rigorous and normative operation and stable and trusting customers all reflect the rich experience, insightful views and advanced idea of SF in business management.

1.7. Wide Financing Space

According to Xu Yong, the chief consultant of China Express, more than 100 European and American funds and private capital companies have asked him to send their words to SF-Express that they want to invest in it. A few foreign companies even indicate that “any price offered by SF-Express is acceptable”, suggesting that SF-Express has a wide space for financing, which is enough to guarantee the stability and abundance of SF’s capital chain.

2. Competition Weakness

Competitive weakness refers to a lacking factor or bad behavior of an enterprise or a condition that puts an enterprise in a disadvantaged competitive position. Analysis suggests that SF-Express mainly has the following weaknesses:

2.1. Weak International Competitiveness

Despite of the fact that SF-Express is outstanding in China’s express industry and has incomparable strengths in brand, service, technique, management, capital and other aspects, it is obviously inferior to international players such as FedEx, UPS, DHL, TNT and other express magnates. The express delivery magnates have gained superiority in management concepts, funding foundation, technique application, network coverage, and operational ability. As it were, in the field of international express with early starts, faster speed and better developed mechanisms, SF-Express is just a teenager. There is no way for SF to compete with the magnates either for market share or resources.
2.2. Low Quality Employees

The overall quality of express employees is low. Even SF-Express, the leading power in domestic express, is not an exception. After 2008, SF-Express has received complaints about “item loss” and “unpermitted parcel opening” which SF employees should be responsible for. This has a significant negative effect on the market image of SF-Express.

2.3. Lack of Elite Talents

Under the imperfect domestic system of express talent cultivation, the market lacks excellent sales personnel, skilled loaders, high-quality delivery staff and experienced goods keepers and other elites. SF-Express has the same problem.

2.4. Imperfect Network (Relatively)

Although the network of SF-Express is top-notch among all private express enterprises, it is still “relatively imperfect” compared with EMS. Remote and underdeveloped areas have not been reached. It surely can’t be compared to the networks of international express magnates.

2.5. High Price

The price war in China has never stopped. Another impression tagged to SF-Express is “high price”. It provides faster, safer and more caring service, but it loses customers who are sensitive to price. Consumers always expect cheaper express service.

3. Potential Opportunity

Market opportunity is a major factor influencing the corporate strategy. Enterprises should accurately judge, evaluate and seize market opportunities so that the strategic decision made by them can help to gain good competitive potential. Here is the opportunity analysis on the potential of SF-Express:

3.1. Good Economic Situation and Industrial Prospect of China

The Chinese economy has maintained rapid growth and good prospects. The development may slow down in the following decade, yet various analysis reports indicate that the average annual growth rate of GDP will still stay at around 6-7%, which also means that the express industry still has 12-18% potential for sustainable growth. The industrial prospect is promising.

3.2. Constant Introduction of Favorable Policies and Increasingly Improved Rules and Regulations

With the introduction of policies such as “One Belt And One Road”, the Yangtze River Economic Zone, free trade area expansion and integration in the jing-jin-ji area, a good development opportunity has been provided for the logistics industry. The next few years will see a tide of logistics integration. In June 2014, the Executive Meeting of the State Council discussed and passed the Medium- and Long Term Planning for Logistics Development (2014~2020). On the one hand, it suggests to deepen the structural reform of logistics management and to build a unified, open and ordered competition-based national logistics service market. On the other hand, it emphasized the decisive effect of the market in resource allocation and the importance of the rising level of corporate scale and intensification. Constantly, rules and regulations
are introduced and industrial environment is normalized. In recent years, with the introduction of the New Postal Law, Logistics Regulating and Rejuvenating Plan, Opinions on Policy Measures for Accelerating the Health Development of Logistics and other regulations, the market environment of express industry has been continuously normalized.

3.3. Fast Developing E-business and Great Potential of the Industrial Market

According to the China Electronic Commerce Research Center (2014), the business volume of Chinese e-business market reached ¥13,400 billion and reached a year-on-year growth of 31.4%. The business volume of B2B e-business market reached ¥10,000 billion with a year-on-year growth of 21.9%; the figure of internet retail market was ¥ 2,820 billion with a year-on-year growth of 49.7%. The transportation and delivery service in physical terminals attached to the e-business market will help to create a huge market with great potential for the express industry.

3.4. Advancing Logistics Technology and Increasingly Improving Express Efficiency

With the three-in-one network and rising modern information technology, the express industry becomes more demanding in technology and develops toward the goal of professionalization, high-speed and energy-saving processes, automation, diversification and information-security. The application and development of high-technologies in the express industry has become more and more obvious. Widely applied techniques include wireless internet, satellite positioning, geographic information system, radio frequency identification and bar codes technique. The automatic systems include automated guided vehicle techniques and transfer robots. The intelligent technologies include electron identification, electronic tracking and an intelligent traffic and transportation system. In addition, there is an integration of information, mechanization, automation and intelligence and the recently proposed cloud logistics technology. These new techniques will certainly improve the technical content as well as the efficiency of express delivery greatly. Meanwhile, the state of competition among express firms will also be influenced.

3.5. Stronger Sense of Time and Widespread Demand for Express Service

As the pace of modern society increases, work, life and production become increasingly hastened and it seems there is little time left for doing other things. The notion that “time is life, and life is money” and “to gain time is to gain market” is widely recognized. The people’s consumption patterns are changing too. They tend to seek fast and convenient communication. Thus, the market of express service becomes broader.

3.6. Accelerated Process of Urbanization and Strong Demand for Express Service

The urbanization rate of China reached over 50% in 2012. The consumption level of urban residents is obviously higher than rural residents, which has resulted in strong demand for express delivery.

3.7. High Population Mobility in Cities and Promising Regional Express Markets

The national passenger flow volume
reached 3.4 billion during the Spring Festival of 2013. It was estimated by the principal of National Development and Reform Commission of the State Council that the figure will grow to 3.62 billion in 2015. A considerable fraction of this big volume is migrant workers. The large number of national overseas workers and the high population mobility has increased the demand for the express industry. The demand is surprisingly high in some regions of labor input and output.

4. External Threat

There are always external factors threatening the market position of a firm. Here is the analysis on external threats of SF-Express:

4.1. Overall Market Opening

The domestic express market has been opening up since 2006. All international express magnates, such as FedEx, UPS, DHL, and TNT, are more experienced considering their advanced management techniques, abundant funds, leading technologies, developed network and strong operational ability. In contrast, domestic express enterprises are characterized by small size, limited funds and inadequate experience. Some of them are constrained by rigid and outdated structures and mechanisms that are hard to deal with during the turbulent tide of internationalization.

4.2. Increasingly Fierce Competition in the Domestic Express Market

Currently, the domestic express market has been dominated by three powers, namely state-owned, private and international express companies. State-owned enterprises are accelerating restructuring while private enterprises are maintaining a good impetus to development. International express magnates will surely return with more effective strategies after they adapt to the local environment. Competition in the domestic express market is becoming even more intense.

4.3. Consumers Have Become More Demanding

With the increasing optimization and normalization of the domestic express market, consumers have clearer and more severe requirements for express enterprises. With a stronger sense of participation, rights protection and rational consumption, they are demanding higher quality and value of express services. All these have posed a higher level of challenge for the operation and management of express enterprises. They ask to be provided with high-quality, professional and customized service, efficient, fast and caring business operation, transparent, dynamic, real-time process monitoring and safe, reliable and on-time commitment fulfillment. As it were, in terms of value expectation, the society tends to request safe, efficient, superior, cheap and transparent service.

4.4. Self-built Logistics Channels of E-entrepreneurs

Jingdong Mall, Alibaba, Amazon.com, Yixun, Suning and other powerful e-business enterprises have built their own channels.

4.5. Constantly Increasing Operating Cost

Affected by the rising energy price, currency inflation, shrinking market for cheap labor and
other factors, the operating costs of express enterprises have increased dramatically.

5. Strategies of SF Express

Express enterprises have to raise the price many times to pass the cost to the customers. As a result, the participation of e-entrepreneurs decreased, which affected the growth of express industry.

Based on the SWOT analysis and the resources of SF-Express, the ideal strategy for SF-Express at the present stage is to keep strengthening its superiority in network, brand, technique, capital, culture and other aspects of operations. This would highlight the professional characteristics of modern express enterprises, bring forth new ideas to service content and forms and improve the ability to meet customer requirements. Meanwhile, it should seize the valuable opportunity of national and industrial economic development to enhance human resources for modern logistics, improve employee performance system in relation to internationalization, and refine and readjust the existing business model. Meanwhile, it should tap the retail, e-business and other industries other than the express industry. It should explore the middle and high-end markets of raw and cold food through market investigation. The firm should actively look for new growth areas for future expansion and actively join international competitions.

| Table 2. Strategies of SF Express |
|----------------------------------|
| **SO Strategy**                  | **WO Strategy** |
| 1. Seize the good opportunity of national and industrial economic development to positively expand the existing business and look for new growth poles for the future; | 1. Improve brand, technology, management, internationalization, network and other relative weaknesses; boost international competitiveness; |
| 2. Bring the advantage of the natural network into full play and maintain it; positively promote the application of new techniques; | 2. Strengthen the idea of modern logistics and human resource and perfect the employee performance mechanism; |
| 3. Exploit the brand superiority and bring forth new ideas to adapt to the new requirements of consumers; | 3. Follow the pace of urbanization and expand the network coverage on remote areas; |
| 4. Rely on the huge capital resource to positively tap into the e-commerce field; | 4. Continue strengthening the medium-to-high-end orientation and improve service quality standard; offset the price disadvantage with fast, safe and efficient service; |
| 5. Continue to forge upright corporate culture and gather core competitiveness. |                                      |
| **ST Strategy**                  | **WT Strategy** |
| 1. Strengthen the features of strong timeliness, broad network coverage and high recognition of local brand to positively cope with the forceful challenge of international express magnates and the cruel price competition within the domestic industry. | 1. From the perspective of internationalization; re-adjust the existing business model to positively deal with the treat caused by internationalization. |
| 2. Take advantages of its own network, brand, technique, capital and culture to make active attempt to e-business, retail and other business and enlarge the business scope of express industry. | 2. Attach importance to talent team building and cultivation; try to build a professional team with mutual respect and team spirit. |
| 3. Take advantage of abundance of information and automatics to innovate in service content and form and satisfy customer needs. | 3. Make the best of the abundance of information to achieve automatic transportation and delivery benefit and highlight the professional characteristic of modern express enterprise. |
| 4. Finance appropriately to enrich the capital chain; avoid the transformation of cost inflation to price rise. | |
V. Conclusion

China started late in the express business sector compared to foreign countries. The development of the express industry was also shorter. With the rapid development of the national economy, a number of express enterprises developed over the years. However, the competition among enterprises mainly focused on price. The identical services, laggard management and lack of long-term strategic development plan have placed most enterprises in a "messy, scattered and small" management status. This paper, after analyzing the business model of SF-Express and the strategies developed through the SWOT analysis, offered the following suggestions regarding the appropriate business model for Chinese express enterprises:

1. Market Positioning Should Determine the Model

Under the fierce market competition, the express market will surely be subdivided in the future. Different enterprises have different market orientations. SF-Express, on the road of regular-chain operation, focuses on standard express. On the other hand, STQ, YTO and other express companies are entirely focused on e-business delivery and have built a low-cost business model and expanded network depth to meet the requirements of e-business customers. All express enterprises choose the regular-chain or franchise model mainly because of market positioning decisions. As a forerunner of the O2O model, SF-Express must make it clear in the first place whether “Heike” and “SF’s” are going to enter the community O2O or establish a service store. Market positioning should influence the model selection.

2. Market Positioning should Determine the Model

Express industry is now in a stage of rapid growth. Considering the nature of express delivery, service timeliness and network depth should be taken as the focus of competition. Therefore, express enterprises must increase input into the business platform and network. Competition of the future must be about service quality and capability over price.

3. Market Positioning Should Determine the Model

With the trend toward combining and integrating traditional distribution channels and e-business, the logistics industry began to focus on small parcels which reduced its coverage. Therefore, there is no fundamental distinction between logistics and express delivery. Express enterprises will eventually become a comprehensive logistics enterprises.

4. Market Positioning Should Determine the Model

Automation and mechanization will be applied in the core sorting technology of express industry. Besides, the application of mobile internet technology will become an important means to satisfy consumers. IT skills will eventually be at the core competitiveness of express enterprises.
5. Market Positioning Should Determine the Model

The previous successful experience and model will not be forever effective in facilitating the sustainable growth of enterprises. The old competitive strength will also eventually vanish. The gap between different enterprises in service level narrows every day. Although SF-Express has a good reputation and high market share, it must develop forward thinking to cope with the fierce competition. Whether the trail implementation of O2O model turns to be successful or not, its attempt to boost value creation through strategic transformation is critically important for the industrial development.

In summary, to survive and develop, Chinese private express enterprises must take advantage of their superiority and make relevant changes to counter weaknesses. Meanwhile, they should learn from the successful experience of domestic and overseas express corporations who sought development. Along with the development of the economic society of China, under the favorable national policy guidance, private express enterprises have made significant progress in service level and capability. The newly developing business models and current innovative business models must be integrated. Chinese express delivery has become mature after all of the efforts to develop and succeed. It should stick to the market segment, select a reasonable business model, level up the operational performance, introduce the latest international concept of green logistics and boost profit. In the future, Chinese private express enterprise should pursue healthy but rapid progress. They should also explore the international market through mergers and strategic alliances.

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