

# Chapter 2

## Development Status of China's Logistics Market

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In 2010, the impact of the international financial crisis on China was significantly lessened. Thus China's economy had returned to the course of rapid growth. The scale of overall development of the logistics market continued to expand and improved over that of 2009. The international logistics market in China recovered rapidly and foreign-funded logistics enterprises kept augmenting their efforts in exploiting the Chinese market. Domestic logistics enterprises also strived to enhance their market competitiveness.

This chapter consists of three sections. The first section focuses on the growth of total value and total expenses of social logistics and other related logistics indicators; it also provides statistical data of these indicators for 2006–2010 to show the growth trend of overall scale of China's logistics market. The second section discusses the notable features of China's logistics market development in 2010 from a demand perspective. The third section focuses on the supply of logistics market in 2010, that is, the development characteristics of the logistics industry.

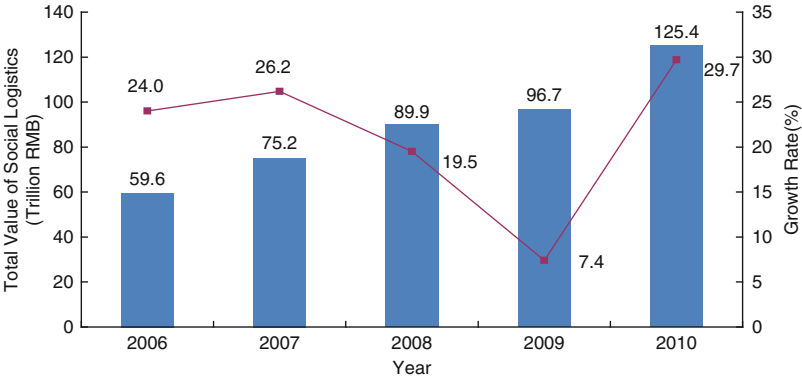
### 2.1 Overall Scale of the Logistics Market

In 2010, with the improvement of economic environment at home and abroad, the total amounts of various logistics values in China increased markedly over last year.

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**Fig. 2.1** Total value and growth rate of social logistics for 2006–2010 (*Source:* Compiled from the *National Logistics Report* (2006–2010), published by the National Development and Reform Commission, the National Bureau of Statistics of China and the China Federation of Logistics and Purchasing)

**2.1.1 Total Value of Social Logistics**

In 2010, the total value of social logistics in China was 125.4 trillion RMB, an increase of 29.7% over the 2009 value and an upswing of 22.3 percentage points over the 2009 growth rate. The total value and growth rate of social logistics for 2006–2010 are shown in Fig. 2.1.

**2.1.2 Total Expenses of Social Logistics**

In 2010, the total expenses of social logistics in China reached 7.10 trillion RMB, with an increase of 16.7% over the previous year; it accounted for 17.8% of the annual GDP, but was 0.3 percentage points lower than that of 2009. The total expenses of social logistics and the share in GDP for 2006–2010 are shown in Table 2.1.

In 2010, the transportation expenses reached 3.83 trillion RMB, which accounted for 54.0% of the total expenses of social logistics; the storage expenses were 2.41 trillion RMB, accounting for 33.9% of the total expenses; and the management expenses reached 0.86 trillion RMB, which was 12.1% of the total expenses. The composition of total expenses of China’s social logistics in 2010 is shown in Fig. 2.2.

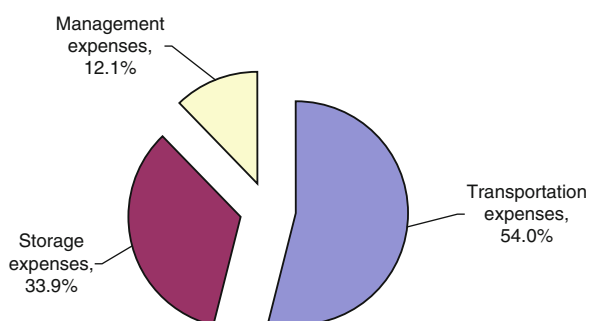
**2.1.3 Added Value of Logistics Industry**

In 2010, the added value of China’s logistics industry reached 2.73 trillion RMB, which was an increase of 18.2% over the previous year. It accounted for 6.9% of the annual GDP and 16.0% of the added value of the service industry. The added value of logistics industry and its share in service industry for 2006–2010 are shown in Table 2.2.

**Table 2.1** Total expenses and share in GDP of social logistics in China for 2006–2010

Year	Total expenses of logistics (trillion RMB)	Share in GDP (%)
2006	3.84	18.3
2007	4.54	18.4
2008	5.45	18.1
2009	6.08	18.1
2010	7.10	17.8

Source: Compiled from the *National Logistics Report* (2006–2010), published by the National Development and Reform Commission, the National Bureau of Statistics of China and the China Federation of Logistics and Purchasing



**Fig. 2.2** Composition of total expenses of China's social logistics in 2010 (Source: Compiled from the *National Logistics Report* (2010), published by the National Development and Reform Commission, the National Bureau of Statistics of China and the China Federation of Logistics and Purchasing growth rate (%))

**Table 2.2** Added value of China's logistics industry and share in service industry for 2006–2010

Year	Added value of logistics (trillion RMB)	Share in service industry (%)
2006	1.41	17.1
2007	1.70	17.6
2008	2.00	16.5
2009	2.31	16.1
2010	2.73	16.0

Source: Compiled from the *National Logistics Report* (2006–2010), published by the National Development and Reform Commission, the National Bureau of Statistics of China and the China Federation of Logistics and Purchasing

**Table 2.3** Cargo transport capacity and growth rate of various transport modes for 2006–2010

Item	Unit	2006	2007	2008	2009	2010
Cargo transport capacity						
Railway	Billion tons	2.88	3.14	3.31	3.33	3.64
Highway	Billion tons	14.61	16.28	18.17	20.97	24.25
Water transportation	Billion tons	2.44	2.73	2.97	3.14	3.64
Civil aviation	Million tons	3.49	4.02	4.08	4.46	5.57
Pipeline	Billion tons	0.32	0.38	0.45	0.44	0.49
Total	Billion tons	20.25	22.53	24.90	27.88	32.03
Growth rate						
Railway	%	7.1	9.0	4.7	1.9	9.3
Highway	%	8.9	11.0	10.9	9.4	14.0
Water transportation	%	11.0	9.7	5.7	3.0	14.0
Civil aviation	%	13.9	15.0	1.4	9.3	25.1
Pipeline	%	6.7	17.9	15.4	1.3	10.3
Total	%	8.9	10.7	9.4	7.5	13.4

Source: Compiled from the *China Statistical Bulletin of National Economic and Social Development* (2006–2010), published by the National Bureau of Statistics of China

## 2.1.4 Cargo Transport Capacity

In 2010, the total capacity of nationwide cargo transport was 32.03 billion tons, showing an increase of 13.4% over that of 2009. The growth rate of various transport modes recovered from the previous slump vibrantly. Cargo transport capacity and growth rate of various transport modes for 2006–2010 are shown in Table 2.3.

## 2.1.5 Cargo Throughput at Ports, Foreign Trade Throughput and Container Throughput

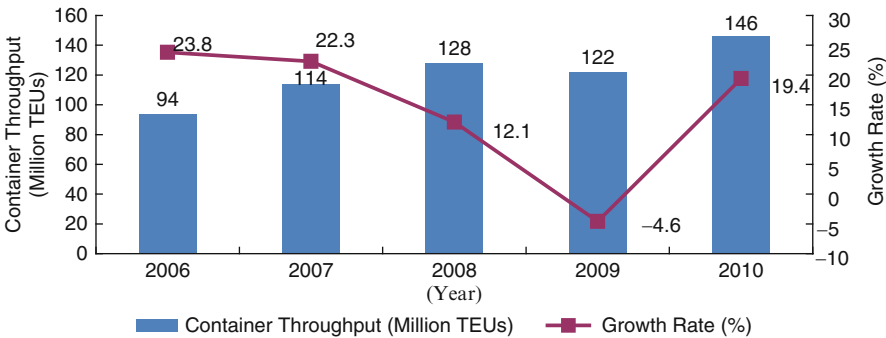
Invigorated by the rapid recovery of import and export, the throughput at ports in China increased swiftly in 2010 with an obviously higher magnitude over the previous 2 years. The cargo throughput at ports nationwide reached 8.93 billion tons, with an increase of 16.7% over that of 2009, in which foreign trade throughput was 2.50 billion tons, with an increase of 14.7% over that of 2009. Nationwide cargo throughput at ports and growth rate for 2006–2010 are shown in Table 2.4.

In 2010, nationwide container throughput at ports increased significantly with a total amount of 146 million TEUs, representing a growth of 19.4% over that of 2009. Compared with the peak volumes of 2007 and 2008 before the financial crisis, the 2010 volume signifies an increase of 27.7% and 13.9%, respectively. Nationwide container throughput at ports and its growth rate for 2006–2010 are shown in Fig. 2.3.

**Table 2.4** Nationwide cargo throughput at ports and growth rate for 2006–2010

Year	Cargo throughput		Wherein, foreign trade throughput	
	Volume (billion tons)	Growth rate (%)	Volume (billion tons)	Growth rate (%)
2006	5.57	14.8	1.61	18.1
2007	6.41	15.1	1.85	14.6
2008	7.02	9.6	1.99	7.4
2009	7.66	9.0	2.18	9.8
2010	8.93	16.7	2.50	14.7

Source: Compiled from the *Statistical Bulletin of Highway and Waterway Transportation Industry (2006–2010)*, published by the Ministry of Transport of China



**Fig. 2.3** Nationwide container throughput at ports and growth rate for 2006–2010 (Source: Compiled from the *Statistical Bulletin Highway and Waterway Transportation Industry (2006–2010)*, published by the Ministry of Transport of China)

**2.1.6 Cargo Throughput at Airports**

In 2010, the cargo throughput at airports in China reached 11.29 million tons, with an increase of 19.4% over that of 2009; the rate of growth rose by 12.4% compared with that of 2009. Cargo throughput at airports in China and its growth for 2008–2010 are shown in Table 2.5.

**2.2 Demand for Logistics**

In 2010, the international logistics market in China exhibited an evident rebound. The logistics market for bulk energy and raw materials still maintained the sizable scale. The logistics market in Midwest, driven by the Westward Movement of manufacturing industry, grew rapidly. Markets for automobile, online shopping had witnessed an explosive growth in recent consecutive years. Emergency logistics market was also beginning to bud.

**Table 2.5** Cargo throughput at airports and its growth for 2008–2010

Airlines	Cargo throughput (million tons)			Growth rate (%)			Share in total cargo throughout (%)		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Domestic airlines	5.64	6.25	7.22	2.61	10.85	15.5	63.9	66.1	64.0
International airlines	3.19	3.21	4.07	2.60	0.32	27.0	36.1	33.9	36.0
Total	8.83	9.46	11.29	2.61	7.04	19.4	100	100	100

Source: Compiled from the *Statistical Bulletin of Nationwide Airports* (2008–2010), published by the Civil Aviation Administration of China

**Table 2.6** Global top ten container ports in 2010

Rank	Port	Container throughput (million TEUs)	Country
1	Shanghai	29.1	China
2	Singapore	28.4	Singapore
3	Hong Kong	23.4	China
4	Shenzhen	22.5	China
5	Fushan	14.1	Korea
6	Ningbo-Zhoushan	13.2	China
7	Guangzhou	12.5	China
8	Qingdao	12	China
9	Dubai	11.6	United Arab Emirates
10	Rotterdam	11.0	The Netherlands

Source: The Alphaliner Weekly, issue 14, 2011

### 2.2.1 Rapid Recovery in International Logistics Market

Drawn by the rapid rise of import and export, the international logistics market in China witnessed an obvious recovery in 2010. Foreign trade throughput, container throughput and international air cargo throughput all achieved significant growth compared with that of 2009; the pace of growth surpassed that of the peak level in 2007 and 2008.

In 2010, six of the world's top ten container ports were in China; this number is four more than that of 5 years ago. Among them, Shanghai Port ranked the highest (as shown in Table 2.6). Cargo throughput at Hong Kong International Airport has surpassed that of the Memphis International Airport for the first time and it became the world's largest air cargo hub airport. The global ranking of Pudong Airport's cargo service also changed from the previous (5 years ago) No. 9 to No. 3.

**Table 2.7** Consumption of certain bulk energy and raw materials in China for 2006–2010

Year	(Unit: billion tons)			
	Coal	Crude Oil	Steel	Cement
2006	2.37	0.32	0.45	1.20
2007	2.58	0.34	0.52	1.33
2008	2.74	0.36	0.54	1.37
2009	3.02	0.38	0.69	1.63
2010	3.18	0.39	0.77	1.86
Total	13.89	1.79	2.97	7.39

Source: Compiled from the *China Statistical Bulletin of National Economic and Social Development* (2006–2010), published by the National Bureau of Statistics of China

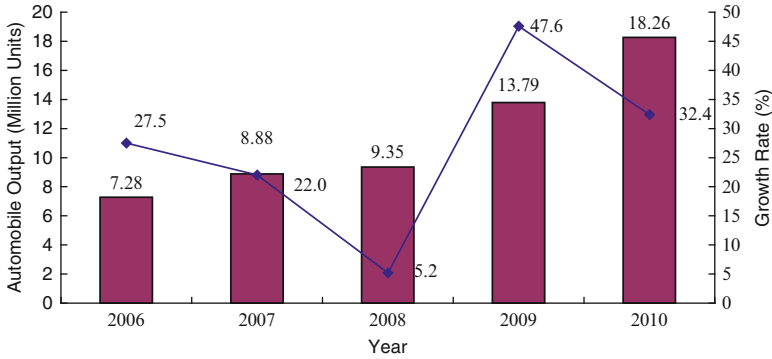
### 2.2.2 Logistics for Bulk Energy and Raw Materials

Each year China generates a large flow of logistics for bulk energy and raw materials. The reason being that the overall scale of China's economy is huge, and in a phase of rapid industrial development and urbanization, so it consumes large amount of bulk energy and raw materials such as coal, petroleum and steel every year. For instance, in 2010 alone, 3.18 billion tons of coal, 0.39 billion tons of crude oil and 0.77 billion tons of steel as well as 1.86 billion tons of cement were consumed in China. Another reason is that large amount of energy and raw materials concentrates in the Central and Western regions, while the mass demand concentrates in the Eastern coastal areas; this entails the long-distance transport of its energy and raw materials. Consumption of certain bulk energy and raw materials in China for 2006–2010 is shown in Table 2.7.

Transport of bulk energy and raw materials in China relies chiefly on railway and water transport. Currently, the national railway transport capacity for bulk goods and materials, such as coal, smelting materials, petroleum, fertilizer and pesticides, accounts for about 80% of all cargo transport capacity. Above 60% of transport volume at China's major ports are mainly due to coal, petroleum, metal ores, steel and other bulk energy and raw materials. In addition, China has also built a number of special quays for transporting coal and petroleum, and some logistics infrastructures such as coal and steel logistics parks, to improve the logistics efficiency of transporting these materials.

### 2.2.3 Rapid Growth in the Midwestern Logistics Market

In recent years, the production cost in eastern China has risen incessantly, forcing certain labor-intensive and resource-intensive manufacturing industries to migrate towards the Central and Western regions. Before 2010, industries moving westward were mainly those which have a strong dependency on raw materials and energy,



**Fig. 2.4** China's automobile output and growth rate for 2006–2010 (*Source:* Compiled from related data in Statistical Information Network of China Association of Automobile Manufacturers)

such as ceramic, cement and mineral resources processing, as well as low-end labor-intensive industries for toys, apparels, and shoes. In 2010, the electronic information industry, led by companies such as Hewlett-Packard, Dell, began to accelerate the relocation towards the Central and Western regions.

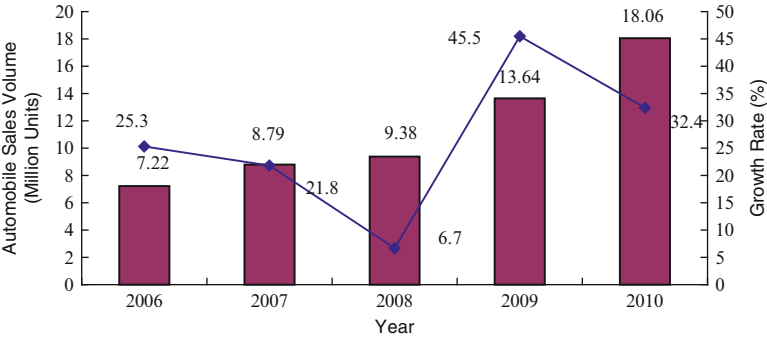
The westward shift of the manufacturing industries stimulated the growth of demand for logistics in the Central and Western regions, and also attracted the logistics service firms in the Eastern coastal region to gradually expand westward. Over the past 2 years, the pace of network positioning of logistics service providers in the Central and Western regions has been much faster. For instance, in 2010, HP's long-term partners – Schenker and COSCO Logistics, trailing HP's footsteps, expanded their business in the Western region. Likewise, in 2010, TNT Hoau added 92 logistics routes in China, of which 60% of them are in the Western region. Also DHL Global Forwarding established five new branches in China in 2010, of which two are located in the Central region.

## 2.2.4 Rapid Growth of Market Segments of Various Industries

### 2.2.4.1 The Automobile Market

In 2010, the Government continued to implement policies encouraging automobile consumption; the annual automobile output and sales volume both exceeded 18 million, showing an annual growth rate of more than 30%. China's automobile output and growth rate for 2006–2010 are shown in Fig. 2.4, and the sales volume and growth rate are shown in Fig. 2.5.

The market for automobile logistics continued to expand in 2010. For instance, the volume of finished-automobile transport business of China's leading auto logistics company – Anji Auto Logistics Co., Ltd. reached five million units in 2010, with a



**Fig. 2.5** China's automobile sales volume and growth rate for 2006–2010 (*Source:* Compiled from related data in Statistical Information Net of China Association of Automobile Manufacturers)

growth of 38.9% year on year; the revenue of finished-automobile transport of another large company – Chongqing Changan Minsheng Logistics Co. Ltd., achieved 1.74 billion RMB in 2010, with an increase of 8.5%, and the income from supply chain management services of auto raw materials and parts reached 960 million RMB, with an increase of 71.9% year on year.

Meanwhile, China's auto logistics market also saw a rising trend of concentration. For instance, the top ten companies account for more than 80% of the finished-automobile logistics market share in 2010.

**2.2.4.2 The Online Shopping Market**

In 2010, China's online shopping market continued to grow rapidly, with an annual transaction value of 498 billion RMB, which is an increase by 89.4% over that of 2009. The proportion of online shopping transaction value in total retail value of consumption goods rose from 2.1% in 2009 to 3.2% in 2010.

Pulled by the rapid growth of online shopping, logistics demand for online shopping service is also soaring. According to the statistics by China Express Association, the daily business volume of express service exceeded ten million pieces in 2010, a volume ranked number three in the world. In 2010, the business volume of express service providers above the designated size<sup>1</sup> totaled 2.34 billion pieces, with an increase of 25.9% year on year; business income totaled 57.5 billion RMB, with an increase of 20.0%.

<sup>1</sup> Classification standards of national express enterprises above the designated size: express enterprises with an annual revenue of above two million RMB in the Eastern regions, express enterprises with an annual revenue of above 0.2 million RMB in the Central regions, and express enterprises with an annual revenue of above 0.1 million RMB in the Western regions.

A number of B2C and C2C e-commerce enterprises improved their order handling and goods distribution capacity through various methods such as self-built distribution center, acquisition of other logistics companies, and strategic cooperation with other logistics companies. For instance, Dangdang.com, an e-commerce book seller, has set up nine distribution centers in six cities across the nation with a total storeroom area of 160,000 square meters. At the end of 2009, China's largest C2C platform enterprise – Taobao signed a strategic partnership agreement with four leading logistics companies to start the "China SME Business Services Partner Program." Jingdong Mall, China's largest enterprise for network electronic product sales, upon acquiring a financing of 150 million USD in 2010, has appropriated 50% of the capital to improvement of storage, distribution, after-sale service, etc.

### **2.2.4.3 Cold Chain for Foods**

Food consumption of China's urban residents has been growing rapidly along with the yearly increase of their personal disposable income. In 2010, the per capita food expenditure of urban residents was 4,800 RMB, increasing by 64.9% over 5 years ago, reckoning an average annual increase of 10.5%. Out of all food expenditures, the consumer spending on fresh products, such as beef and lamb, aquatic products, fresh vegetables and fruits, increased the fastest. The per capita spending of urban residents on fresh vegetables and fruits increased respectively by 83.7% and 82.5% over 5 years ago.

The rapid growth of consumption of fresh products and the higher quality requirements for fresh products by residents have propelled the rapid growth of food cold chain logistics. At present, about 400 million tons of fresh agricultural products flows into the circulation system per year in China, and the proportion of agricultural products transported via cold chain logistics is rising gradually. For fruits and vegetables, meat, and aquatic product, 5%, 15% and 23% of the volume were respectively circulated through cold chains, while respectively 15%, 30% and 40%<sup>2</sup> of them were shipped using refrigerated transport. On the whole, the proportion of food transported via cold chain logistics still remains at a low level, so cold chain logistics for foods has ample room for future development in China.

## ***2.2.5 The Emergence of Emergency Logistics***

China is a country with high incidence of natural disasters. Since 2008, several natural calamities such as massive earthquake and mud slide had occurred one after another. For instance, the Sichuan earthquake in 2008 had devastated ten provinces

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<sup>2</sup> Development Plan for Agricultural Products Cold Chain Logistics, published by National Development and Reform Commission. [http://www.ndrc.gov.cn/zcfb/zcfbtz/2010tz/t20100730\\_364312.htm](http://www.ndrc.gov.cn/zcfb/zcfbtz/2010tz/t20100730_364312.htm), 2010-06-18

and caused 90,000 people dead or missing. The governments and the social sectors are giving much more attention to the establishing of emergency social response system. As an important component of the emergency social response system, emergency logistics system is also being brought up to speed.

Since 2008, a number of emergency logistics support bases have been under construction or completed for use. For instance, in 2008, the Hubei logistics and distribution center for emergency support and mobilization was completed in Wuhan; construction of the Xi'an food logistics emergency base occupying an area of about 200,000 square meters was started. In 2010, the Nanjing disaster relief warehousing center with an area of 5,000 square meters was officially opened; the Yunnan disaster relief reserve center with an area of 26,000 square meters was completed in Kunming, which could meet the emergency placement and materials demand for 700,000 people.

## **2.3 The Status of Logistics Providers**

In 2010, the overall concentration and profitability of China's logistics industry were still low. After many years of development, foreign-funded logistics enterprises have entered China's logistics market and waged a direct competition at the domestic enterprises; while local logistics enterprises elevated their competitiveness through direct financing, improvement of networking and other ways.

### ***2.3.1 Industrial Concentration and Profitability***

#### **2.3.1.1 Industrial Concentration**

China's logistics industry has remained at a low industrial concentration over the past decade. There are many logistics enterprises, but few large ones; the average assets and operating income of these enterprises are fairly low. According to the findings of the second economic census by the National Bureau of Statistics, at the end of 2008, there were totally 148,000 transportation, warehousing and postal service enterprises, but the average total assets of all logistics enterprises was only 28 million RMB; the average for domestic enterprises was 25 million RMB and that for foreign enterprises was 170 million RMB.

According to the survey by the China Federation of Logistics and Purchasing, in 2009, the main business income of China's top 50 key logistics enterprises accounted for only 13.3% of the total revenue of national logistics-related industries. Only one out of the top 50 enterprises had main business income of more than 100 billion RMB, nine of them over ten billion RMB. In addition, among these top 50 enterprises, those with assets greater than one billion RMB accounted for only 14.2%, and enterprises with assets less than 50 million RMB accounted for 44.7%.

### **2.3.1.2 Industrial Profitability**

In recent years, although the business scale of logistics enterprises has noticeably increased, yet the added investment expenses in new equipment and technology and the sharp price hike of land, fuel, and labor substantially boosted the operating costs of the logistics enterprises. Meanwhile, hampered by the increasingly intense market competition and the overall low service level of logistics enterprises, the fees for logistics services could hardly be raised. Therefore, the profit margin of the logistics industry in recent years has been very thin, so these enterprises are under greater operational pressure. According to the survey by the Logistics Research Center at Nankai University, during 2007–2010, the profit margin of China's logistics enterprises concentrated mainly in the 3–5% and 5–10% level, and the profitability of about half of the enterprises was lower than 5%.

## ***2.3.2 Foreign-Funded Logistics Enterprises***

Prior to 2006, China's logistics market was only partially open to the foreign-funded enterprises; then it became fully open in 2006. By 2010, a large number of foreign-funded logistics enterprises had been operating in China's market, and created a phase of all-round exploitation of the Chinese market. They have taken several steps in strengthening their business clout in this new-found market.

### **2.3.2.1 Expansion of Network Coverage by Various Modes**

Several tactics are adopted by the foreign-funded logistics enterprises to expand their network coverage in China. The first avenue is to build the network through direct investment. For instance, in October 2010, UPS built a Shared Service Center in Hefei, a city in the Central region. It is a comprehensive shared services base which integrates financial settlement, call center, software development, human resource management and other related functions, and is UPS's largest shared services base in Asia-Pacific region.

The second avenue is to enhance the operational capabilities of logistics network by infusing further investment. In March 2007, TNT acquired China's largest highway transport enterprise – Huayu Logistics Group. In September 2010, TNT announced that it would invest additional 1.5 billion RMB in TNT Hoau in the next few years, in order to optimize the national transport network and establish regional distribution centers.

The third way is to improve the network placement through cooperation with domestic logistics enterprises. For instance, DHL has established a cooperative relationship with China Railway Express in rail transport and a number of related enterprises in highway transportation.

Up to 2010, most of the world's top 50 multinational logistics enterprises have entered China's market, conducting business in more than 200 cities.

### **2.3.2.2 Expansion Towards Emerging Logistics Fields**

In 2010, DHL announced it would build a new logistics center with an area of 5,000 square meters in Shanghai, to specialize in logistics services for apparels and ready-made clothes, and to provide fashion retailers with services such as price-marking, sorting, labeling, and picking and packaging. In 2010, UPS formed a strategic alliance with “AliExpress”, an online wholesale e-commerce platform subordinated to Alibaba; through “AliExpress”, Alibaba’s customers can enjoy online freight services. This is the second incidence for UPS to engage in e-commerce logistics in China.

### **2.3.2.3 Acceleration of Market Placement in the Central and Western Regions**

From the perspective of spatial placement, with their customers of manufacturing industries migrating towards the Central and Western regions and the rising operating costs in the Eastern region, many foreign-funded logistics enterprises had accelerated their network layout in the Central and Western regions. By the end of 2010, dozens of large foreign-funded logistics enterprises such as DHL, UPS, FedEx, TNT, Maersk, Schenker had entered cities like Chengdu, Chongqing, Changsha, and Hefei in the Central and Western regions to extend their network layout.

### **2.3.2.4 Active Expansion to Serve China’s Domestic Customers**

Foreign-funded logistics enterprises have also set their eyes on the fertile field of domestic logistics market. For instance, in order to meet the demand of China’s small and medium enterprises in electronics, light industry, and textile industry, Federal Express added seven types of packaging materials; DHL launched a brand new packaging service named “DHL heavy treasure box” to meet its customers’ demand for express delivery of 50–150 kg cargos. Japan’s Itochu Corporation undertook the procurement and transportation services of Shenyang Northern Transport Heavy Industry Group Co., Ltd., to provide customized logistics services with the “transfer sales model.”

## **2.3.3 Domestic Logistics Enterprises**

With the recent years’ gradual economic recovery, demand for logistics services has grown steadily. In 2010, China’s domestic logistics enterprises seized the market development opportunities to improve their competitiveness through various means.

### **2.3.3.1 Expansion in Scale Through Direct Financing**

In 2010, the IPO financing in logistics industry began to pick up, resulting in seven listed enterprises with a total financing sum of 2.70 billion USD. In terms of market segments, enterprises related to shipping and port led the IPO list; three ports were listed through stock issuance in 2010 and the total IPO financing amount reached approximately 2.16 billion USD.

During 2006–2010, China's logistics industry registered a total of 47 cases of venture capital/private equity with a total financing amount of 4.05 billion USD. Among them, 15 cases came from the logistics industry in 2010 with a total investment amount of 1.37 billion USD, both figures representing the highest historical level. The biggest deal among these investment moves is by the Blackstone Group and other investors who invested a total sum around 600 million USD in an agricultural product logistics park in Shandong Province in March 2010.

### **2.3.3.2 Improvement of Network Placement**

With the rapid growth of domestic logistics market, more and more local logistics enterprises began to upgrade their domestic distribution network and improve the density of their network coverage. For example, Shanghai Yuancheng Group, engaging chiefly in highway express and inter-city delivery, has been improving its national network layout since 2008. Up to the end of 2010, the number of its terminal business outlets had reached 2,000, which could achieve direct highway delivery to nearly 300 cities nationwide.

Up to 2010, Shanghai Deppon Logistics, engaging in domestic highway transport and air transport forwarding, had established more than 910 business outlets in 27 provinces, cities and autonomous regions, with the logistics network covering more than 500 cities and townships. The company plans to increase the number of business outlets to more than 2,500 by 2012.

This chapter presents the overall development status and the characteristics of China's logistics market from the perspectives of overall market size, market demand and market supply. With respect to the overall scale, the improvement of macro economy at home and abroad enabled the logistics market in China to recover rapidly in 2010; the total social logistics cost, throughput at ports and container throughput all increased sharply compared with that of 2009, and exceeded the peak levels in 2007 and 2008 prior to the global financial crisis. In terms of logistics demand for 2010, international logistics market recovered swiftly from the slump caused by the international financial crisis, the logistics demand of bulk energy and raw materials remained very large. Since the logistics market demand in the Central and Western regions grew significantly faster, logistics companies were drawn to extend their service areas towards these developing regions. Logistics markets for autos, online shopping, and food cold chain all showed a high growth, and emergency logistics also started to take shape in China. On the supply side of logistics, the concentration

of overall logistics industry was still very low; the logistics providers are mainly composed of a high proportion of small enterprises. Foreign-funded enterprises continued to fortify their network construction, actively entering into new logistics market segments, and intensifying their exploitation of China's local customers; they are competing directly and intensely with local Chinese logistics enterprises. Domestic logistics enterprises have taken actions in direct financing, improvement of network coverage and upgrading services to actively improve their market competitiveness as well.

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