The most important competencies in Haier Logistics

Bachelor’s Thesis in Industrial Management & Logistics

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ABSTRACT

Competence building of a corporation is a vital choice for a third-party logistics (TPL) provider for it to face drastic challenges, and the issue of competence building has attracted the attention of both academic and business communities. The purpose of this thesis is to investigate how an appliance maker can build TPL competence, and the research questions of the thesis are as follows: (1) What are the main factors in building the competence of a TPL enterprise? (2) What are the advantages of building logistics-related competence for Haier Logistics? (3) How important is logistics competence for Haier?

By applying a qualitative research method, the present study takes Haier Logistics as a case, a subsidiary of the Haier Group, which provides logistics services not only for all the companies within the group but also for other companies as a TPL services enterprise. The study identifies the main factors in building up logistics competence, the advantages of such competence, and the importance of such competence. The authors of the present paper have found out that six factors—namely, the integration capacity, the operation capacity of logistics, the innovation ability of logistics, the operation capacity of information technology, the marketing ability in logistics markets, and the capability of building logistics brand—are vital for Haier Logistics.

Keywords: competence, Haier Logistics, competitive advantages
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1. INTRODUCTION

1.1 Background

In current global business markets, building corporate competence could help an enterprise gain sustainable competitive advantages. Each enterprise, in order to enhance market competitiveness, invests in a business with enterprise capital, human resources, and material resources, seeking the social division of labor that results in coordination and efficiency maximization (Vargo & Lusch, 2004). The importance of building corporate competence has been known by enterprises, but some confusion has existed that leads to some enterprises still going bankrupt. Therefore, it could be conjectured that enterprises know how to build competence, or that they do not believe that building competence can bring any advantage for enterprises. These two interesting conjectures are the bases to start this thesis. In this thesis, Haier Logistics was chosen as the case company.

We know how famous logistics companies, such as DHL and UPS, build third-party logistics (TPL) competence, but the Haier Group is an appliances manufacturer; in that time, the other TPL companies cannot fulfill the requirements of Haier’s product deliveries, so Haier established Haier Logistics as their own TPL provider company. After a period, Haier Logistics not only supported services for Haier Group but also became an individual TPL company that supports logistics services to other enterprises as well.

Haier Logistics is not only the famous Chinese brand “Haier,” but Haier Logistics also uses its advanced management system and powerful logistics network resources to build competencies for global customers, providing them with the most competitive integrated logistics integration services, as the most competitive TPL provider. The above factors explain why Haier has become such an influential enterprise not only in China but also throughout the world. The successful development of Haier Logistics is the most suitable to research for this topic.

1.2 Overall Research Questions

The purpose of this thesis is to investigate how an appliance maker can build TPL competence. The research questions are as follows:

- What are the main factors in building the competence of a TPL enterprise?
- What are the advantages of building logistics-related competence for Haier Logistics?
1. How important is logistics competence for Haier?

1.3 Outline

Seven sections are included in this paper. The first section introduces the background of the company and this thesis and includes the research purpose, which makes it easier to understand for readers. The second section is about the methods used to achieve this purpose. The third section describes the theoretical framework drawn from scientific articles to support this paper, mainly referring to logistics corporations and the advantage of building competence. The fourth section describes the findings according to the interview answers to the research questions. The fifth section analyzes the findings and the theory, using a table to compare the differences and resemblances of the factors; it is clearly based on the research questions. The sixth section summarizes this thesis and indicates how future research might build upon this investigation and its findings. The final section is a list of references used in this paper.
2 METHODOLOGY

The intention is to understand the conceptual considerations through the collection and analysis of data. The difficulties that we anticipated in carrying out the research mainly concerned the collection of interviews within a limited time as well as our need to connect with the related personnel. However, we attempted to do it because qualitative research required data collection. This section explains what we have done and why we chose it despite its limitations.

2.1 Quantitative and Qualitative Research

A quantitative study is one in which the data are collected and analyzed. It involves the accurate measurement of phenomena and often the application of statistical analysis (Murray & Hughes, 2008). We did not conduct surveys and statistical analysis; therefore, this study is not a quantitative research. Qualitative methods variously recognize and attempt to account for the significance of interpretation, perception, and interaction in the process of defining, collecting, and analyzing research evidence (Karlsson, 2009). We have collected information via interviews and empirical data that refer to a more subjective interpretation of ideas and facts. Thus, qualitative approaches are used by interviewing related personnel to collect information, which, in turn, are analyzed to explain and support the claims.

2.2 Deductive and Inductive Approach

Murray and Hughes (2008) stated that “deductive argumentation usually takes the form of a syllogism, where the stated premises (reasons given) provide logical grounds for the conclusion. Therefore, deductive reasoning has a great relationship between premises and conclusion: provides a strong argument and an effective conclusion, the premise is that the conclusion must be valid. Inductive reasoning, which often involves using evidence from observation to support a general conclusion, is commonly employed” (Murray & Hughes, 2008). In general, inductive reasoning is based on facts, through the experiences leading to induction and analogy to get the results. Hence, in this thesis, we have applied deductive reasoning to interview material with related personnel and analogical methods to compare the factors of findings and theories. Suying (2012) stated that induction and analogy constitute formal reasoning: induction is from part to whole, from individual to generic, whereas analogy is reasoning from specific to specific. From the perspective of the reasoning ultimatums, the results of inductive reasoning are not necessarily correct but remain to be proven.
This thesis applied deductive reasoning to interview material by related personnel and analogical methods to compare the factors of findings and theories. This thesis collected data via interviews and empirical data, which refer to a more subjective interpretation of ideas and facts.

2.3 Case Study

Yin (2003) mentioned, “A case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident.” A case study is a method that deals with a subject as a whole. Through detailed investigation of a particular instance, it is possible to get to know instance to the whole situation (Yin, 2003). A case study is a qualitative method, and different qualitative traditions have different designs in each distinct feature. “Qualitative case study methodology provides tools for researchers to study complex phenomena within their contexts. When the approach is applied correctly, it becomes a valuable method for health science research to develop theory, evaluate programs, and develop interventions” (Baxter & Jack, 2008).

This thesis is the single case study of the company Haier Logistics, and we focus on its Chinese market, analyzing the collected data, based on certain theoretical knowledge to make a decision and put forward specific solutions. The advantages of case study are that we gain more detailed information about this area. With Haier Logistics, the research focus was knowing the core competencies of the logistics enterprise through case study and analysis. We planned the interview process and initial collection of information first, including what to say during interviews and what questions must be asked, and then we turned to collection and analysis of data. We also planned to solicit Internet feedback from company customers, to produce a report to give findings, and finally to choose “descriptive case study” as our case study type.

2.3.1 SWOT

In this thesis, we used SWOT as a tool to help us analyze Haier Logistics’ performance. SWOT analysis helped us to categorize the findings, including strengths, weaknesses, opportunities, and threats. The performance of the company can be described as the company’s project or business; within this, SWOT can also be implemented for a product, place, industry, or an employee. SWOT analysis can identify the internal and external factors that are favorable or unfavorable for the achievement of the company’s objective. Some performances are involved in SWOT
analysis (e.g., Naga Jyothi, 2008).

2.3.2 Data Collection

Data collection is the process of planning and collecting useful information (Gill, Stewart, Treasure, & Chadwick, 2008). In order to write a better thesis, we worked hard to collect as much data and information as we could. The empirical findings are based on interview information, which we used for our primary data collection.

About interview data collection, Alby (2006) mentioned, “An interview is a series of questions a researcher addresses personally to respondents. An interview may be structured (where you ask clearly defined questions) or unstructured, where you allow some of your questioning to be led by the responses of the interviewee. In particular, when using unstructured interviews, using a tape recorder can be a good idea, if it does not affect the relationship with the person being interviewed.” Figure 2.1 shows the data collection methods’ advantages and disadvantages, including the interview and the focus groups in this thesis.

![Figure 2.1. Some methods of data collection (Joan & Fisher, 2005).](image)

Seeking greater understanding of Haier Logistics, we found the contact information from Haier Group’s home page and sent an e-mail to contact Haier Logistics’ legal
reliable representative, Yonghui Yang. We received a reply after some days, and he said he was very willing to cooperate with us, and then we offered a few questions in order to have a simple e-conversation. “Throwing out a minnow to catch a whale,” we first conveyed what we had known about Haier Logistics and then asked detailed questions, as shown in the Appendix, for half an hour. When we sought from Mr. Yang a more in-depth understanding of Haier Logistics’ operation system, he provided a simple introduction for us. During this interview, we used Chinese to ask questions; it was easy for us to communicate. We prepared seven questions about Haier Logistics. This interview took half an hour, in April 10, 2013. Beyond our expectations, we received the answers we wanted.

The collection of secondary data started from Haier’s home page, both the Chinese and the international website. We read introductions for Haier’s development histories and surveyed the types of products and also browsed their online shop like a customer. After that, we searched Baidu (a search engine like Google) on the Internet, found some evaluations for Haier Logistics’ services from the network media report, and also found some users’ feedback about Haier products, and most of these were good evaluations.

To achieve what we wanted, the next step was to search scientific articles from Google Scholar and the Web library of Högskolan i Gävle to support the paper’s theoretical framework. We collected information from Google Scholar; we searched the key phrases “the advantages to build logistics competences” and “the (core) competence of logistics” to find a large number of references from journals, newspapers, the Internet, and books. We chose the most representative, reliable, and valid of the scientific articles and used several literature sources to support the theoretical framework while paying attention to the core subject. However, because it may not be a popular topic and collecting information was not easy, we attempted to search keywords such as “important competence” (52,000 hits on Google Scholar, quite popular indeed) and “corporate important competence” (543 hits). We filtered the selected sources in order to find PDF files then carefully screened and read to obtain what we needed, and then we began to write.

2.4 Validity and Reliability

2.4.1 Validity

In simple terms, a good piece of research meets accepted standards of validity in a range of dimensions (Karlsson, 2009). There are three types of validity based on different perspectives (Yin, 2009): concurrent validity refers to the research reflecting
actual events (Lafaille & Wildeboer, 1995), internal validity reflects the extent of causal conclusion based on case study, and external validity implies whether the research findings could be useful or not. In this thesis, for internal validity, we chose a suitable case company and did an interview with their manager and local manager. Haier Logistics is not only the famous Chinese brand Haier, but Haier Logistics also uses its advanced management system and powerful logistics network resources to build competency. Hence, the development of Haier Logistics is a suitable case for the thesis. For internal validity, the authors selected information that can help achieve the research purpose.

For external validity, the case study should choose a theoretical framework that is suitable for testing and validating (Yin, 2009). This thesis defined different factors when a company wants to build important competence. Many factors are mentioned, such as integration capacity of resources, operation capacity of logistics, innovation ability, operation capacity of information technology, and the marketing ability in logistics markets; these factors bring many competencies in the Haier Logistics enterprise, and other logistics company could adopt many experiences from the Haier Logistics enterprise in building their own competence. These factors may suit enterprises that want to develop their own TPL subcompany.

2.4.2 Reliability

Yin (2009) mentioned that reliability is repeatedly testing the same data to reduce errors. In this qualitative research, the authors can ensure the reliability of data collection because it adopted theories from scientific journals or books. We also recorded the case company’s interviews, checking them repeatedly to ensure that the information was reliable. To make sure our explanation of the data that we used is reliable, first, we searched these information from reliable resources, for example, information based on literature reviews and scientific articles can ensure reliability, but those from the official website, annual reports, and Internet resources that are related to building logistics competencies cannot guarantee reliability. We collected primary data from Mr. Yonghui Yang (Haier Logistics’ legal representative) and the local manager. We sent an e-mail to Yonghui Yang and offered a few questions in order to have a simple e-conversation; for the local manager, we did a face-to-face interview. The interview questions are described in the Appendix section.

Because the interviewees are employees of the Haier Group, they provided information with caution, and all of them used praise to describe the operation processes. This is a limitation of interviewing with partial information: it lacks rigor. The other limitation is that these detailed forms of information provided by the
interviewees are in narrative form. It may be difficult to attract interest from readers if scientific articles are too lengthy. Because of the time limitations and geographic restrictions, scientific articles on these aspects are restricted to the limited theoretical framework in previous studies, and this thesis mainly focuses on the Chinese market. The mentioned company information was collected from the Internet and the interviewees.
3 THEORETICAL FRAMEWORK

The theoretical framework includes five sections: resource-based view (RBV) and literature review, the core competencies of logistics, the core competencies of the TPL enterprise, and the competitive advantages that can be brought by building core competencies. Core competencies are particular strengths relative to other organizations and can provide added value for an enterprise (Prahalad & Hamel, 1990). Different authors point out tangible factors and describe advantages of building core competencies (Day, 1994; Henderson & Cockburn, 1994; Prahalad & Hamel, 1990). This chapter integrates the literature and illustrates what the logistics and TPL enterprises competencies are and what the advantages are.

3.1 Literature Review

Martyn (2009) stated that literature review is a key and in-depth evaluation of previous research. In research, it is a particular area of summary and synopsis; anyone can read the research paper to establish why this particular research program is being pursued. The literature review is a subject literature in which the researcher, through reading for understanding and sorting, achieves mastery through a comprehensive and integrated approach to analysis and evaluation. It uses a writing style that is different from the research paper (Randolph, 2009).

It is a valid approach to structure a research field and form it into an integral part of a conducted research (Mentzer & Kahn, 1995). Moreover, “conducting a literature review is a means of demonstrating an author’s knowledge about a particular field of study, including vocabulary, theories, key variables and phenomena, and its methods and history” (Randolph, 2009). We realized after the interviews that these factors needed more theoretical support, but in this thesis, the authors found out that it is hard to search the related articles about core competencies. For example, if we search “logistics core competence” in Google, the results almost always list either enterprise logistics or core competencies. The fact that there are very few relevant articles linking both core competence and logistics made the authors even more interested in the topic.

3.2 RBV of the Firm

The RBV as a basis for a competitive advantage of a company that can provide a whole new view for the manager and help the company form a sustained competitive
advantage as pointed out by Penrose (1959). There are some key points made about RBV by Barney (1991), that it is valuable, rare, inimitable, and nonsubstitutable. Basically, brand name, company culture, employment of skilled personnel, machinery, and efficient procedures could all be included in the RBV (Caves, 1980). Valuable means that the company’s resource must be using a value-creating strategy in order to have better performance than its competitor and to decrease its own weakness. Rare means that the resource must be valuable and the resource needs to be inimitable, which means if the company could control it well, it could be a source of competitive advantage. The resource need cannot easily be substituted.

3.3 Importance of Competencies

3.3.1 Definition of Core Competence

Core competence is “an ability to sustain the coordinated deployment of assets in a way that helps a firm to achieve its goals” (Sanchez, Heene, & Thomas, 1996). “Core competences are not physical assets but intangible processes; they are bundles of skills and technologies” (Hamel & Prahalad, 1994, p. 202). Core competence as a component of the RBV can advocate strategies and highlight the importance of intangible features of the company in order to establish a robust platform for sustainable competitive advantage (Hafeez, Zhang, & Malak, 2002). Competence building is an outcome of management architecture that must be enforced by top management to exploit its full capacity (Bustinza et al., 2010). One source of competitive advantage is core competence. Hill and Jones (1998) suggested that if an enterprise wants to build core competence, it must have both the tangible and the intangible resources, and those resources are unique.

There are various attributes of core competence, such as complexity, invisibility, nonimitability, durability and nonsubstitutability, and superiority (Aaker, 1989; Collis & Montgomery, 1995; Flood, Gannon & Paauwe, 1996; Hall, 1989, 1992; Hamel & Prahalad, 1994). It can perform in different ways, such as quality, speed, dependability, flexibility, and cost (Prahalad & Hamel, 1990). A company’s core competence does not just mean having some knowledge and skills but also knowing how to use them. Competence can be measured in two parts: one is the degree of task performance and qualification (the inside view), and the other is invisibility from the outside view (Day, 1994; Prahalad & Hamel, 1990). Henderson and Cockburn (1994) also mentioned that “idiosyncratic research capabilities” constitute a major part of strategic competence and that this will have a positive effect on company core competence performance in high-tech industries.
Corporate core competence has the characteristics of value, immobility, heterogeneity, and scalability. For sustainable competitive advantage, corporations have to devise ways to identify, cultivate, and exploit the core competencies that make growth possible. At least three sections can be applied to identify core competencies in a firm. One is core competence that provides potential access to a wide variety of markets, another is a core competence that should make a significant contribution to the perceived customer benefits of the end product, and the third is a core competence that should be difficult for competitors to imitate (Prahalad & Hamel, 1990). This reflects the collective learning in organizations and how to coordinate diverse production skills and streams of technologies. As a company’s core competence performance, several recent contributions highlight the importance of different parts, that is, technological competencies, technical skills, learning, and knowledge developed (Markides & Williamson, 1994; Nelson, 1991; Prahalad & Hamel, 1994).

3.4 Competitive Advantages that Can Be Brought by Competencies

Studies on core competence provide a wide array of explanations about the concept of core competence and its role in enhancing corporate competitive advantage (Srivastava, 2005). Javidan (1998) stated that “competitive advantage and core competence are not necessarily the same, but can be (and should be) closely related because a successful competitive strategy is built on the firm’s core competencies and competitive advantages.”

A competitive advantage can be attained when the current strategy can create value, and a competitive advantage has the ability to be substituted. Two parts become a resource-based competitive advantage: one is the resources (and capabilities) heterogeneously distributed among firms, and the other is resources that are imperfectly mobile. These two conceptions connect to allow for differences in firm resource endowments to both exist and persist over time. With regard to this, resources are tradable and nonspecific to the firm, whereas core competence is used to engage the resources within the firm. A sustainable competitive advantage could also be considered in RBVs (Barney, 1991).

Competitive advantage is at the heart of the firm’s performance. It is concerned with the interplay between the types of competitive advantage, such as cost and differentiation, and the scope of the firm’s activities. The value chain plays an important role in order to diagnose and enhance the competitive advantage. A sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985). The basis for competitive advantage is the ability to
create knowledge and move it from one part of the organization to another. The creation of knowledge is a dynamic and continuous process involving interactions at various organizational levels. Organizations must learn from their environment how to survive and produce competitive conditions that shape the character of success. Time is an important factor, and it eventually renders nearly all advantages, so managers must link their core competence to different types of strategies across time (Kak & Sushil, 2002).

Competitiveness accounts for several parameters such as reduction of hidden costs, quality conformance and improvement, reduction of service and delivery times, maximization of profits and profitability, enhanced market reputation, and assured markets in the future by innovations, learning, and strategies in an organization (Szamosi et al., 2002). Successful firms (firms that have critical competence) not only know how to deploy their core competencies but are also aware of the dynamic nature of this resource. The valuable core competencies in a firm need to be “nurtured,” and the not-so-valuable competencies in a firm need to be “abandoned.” Firms should also be on the lookout for new competencies that can be acquired and focus on their “development” (Srivastava, 2005).

The possession of core competencies itself will not result in competitive advantage; it is the successful identification, nurturing, development, and deployment of the core competencies that are important for adding value to the firm (Srivastava, 2005). The enterprise can concentrate their investments and energies on what they do best and, in a regular manner, gain earnings from organizational resources. Similarly, they may introduce challenges beyond their existing and future competitors who might wish to penetrate the company’s competitive fields. Corporations may also reduce risks and investments in the rapidly changing competitive environment and technological developments and create an opportunity to better answer the customers’ needs owing to their competences (Besler & Sezerel, 2011). The increase in global production sharing, the shortening of product life cycles, and the intensification of global competition all highlight logistics as a strategic source of competitive advantage. An excellent logistics environment has greatly affected the firms’ competitive advantage and their sustainable development (Arvis et al., 2007).

3.5 Logistics Competence

Before we touch upon the core competencies of a logistics corporation, we should know what logistics is, and logistics is described by Christopher (2011) as follows:
Logistics is the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost-effective fulfillment of orders.

“Logistics competence is an important strategic asset for manufacturing firms to compete in the current global environment, logistics competence, such as customer responsiveness and competing on time, can be valuable resources for corporate strategy” (Morash, Droge, & Vickery, 1996).

As far as enterprise resources are concerned, logistics competencies are composed of logistics factor competence and logistics operation competence. Logistics factor competence is defined as the capability coming into being during the process of logistics activities because of the enterprise owning and controlling the resources, including all kinds of logistics mechanical equipment, logistics facilities, labor forces, capitals, information, and so on, whereas logistics operation competence is defined as the capability of realizing the anticipated goal by the means of the enterprise using logistics planning, organization, control, and so on, during the enterprise’s allocation and integration of resources. Logistics factor competence is a static capability, whereas logistics operation competence is a dynamic capability promoted from the foundation of the static competence (Wei & Yihua, 2010). The management of logistics functions in modern organizations involves decision making for the complete distribution of goods and services in the marketing function (Watson & Pitt, 1989) with a view of maximizing value and minimizing cost. A good logistics management could become an advantage when a company is developing core competence.

### 3.5.1 Resource Integration Capacity

According to enterprise development strategic and market demands, integration logistics resources imply that to optimize logistics resources, the effective integration of logistics resources can reduce operation costs and improve market responsiveness (Hui & Xuming, 2012). The scope of TPL resource integration could be divided to internal resources and external resources; internal resources include human resource, information, capital, and so on; external resources include users, suppliers, government, and so on (Hannemann-Weber et al., 2012). With regard to competence management in the organization, it can come to make several conclusions. A human resource development system that integrates a company’s core competencies, knowledge base, and personal dimension typically includes the following elements (Laakso & Manninen, 2007):

1. Formulation and communication of the company vision
2. Identification of the company’s core competencies, past and future
3. Identification of current expertise
4. Personal development discussions
5. Performance management and scorecards
6. Developmental dialogue at the corporate level
7. Strategies and systems for knowledge transfer
8. Human resource method development

Resource management in logistics can include physical items and abstract things. Integration, sports logistics involves the information flow of materials processing, production, packaging, storage, transportation, warehousing, and security. The complexity of logistics can be modeling, analysis, and visualization and through the special simulation of software optimization. To minimize the use of resources is a product process (Mckinnon et al., 2012).

3.5.1.1 Distribution Production

Distribution is the process of making a product or the use of direct or indirect ways and intermediaries by the consumer, business user, or consumer services (Kotler, Keller, & Burton, 2009).

3.5.2 Innovation Ability of Logistics

The innovation process includes concept generation, product development and process innovation, and technology acquisition (Verhaeghe & Kfir, 2002). Core competence is understood as having to do with the importance of processes or activities (Day, 1994; Li and Calantone, 1998; Prahalad and Hamel, 1990). “Innovation has been regarded as essential for companies to remain competitive” (Pitt et al., 2006, p. 153). A part of a company’s innovation success is its ability to develop; it is also an internal relationship to link the company’s competencies with its innovation network. The innovation partners and their contribution in the innovation process contribute to build core competence (Ritter & Gemünden, 2004). Innovation competence includes different parts, not just for the product, and also could include service innovation. Service could become an essential core component of business; from the business management perspective, it has evolved to assume a strategic function. The service department is expected to define customers as their stimulus of creativity and innovation, by creating services to meet customer requirement. Customer requirement is highly unstable and changes quickly. From a company
viewpoint, identifying this need becomes much more difficult (Golder & Tellis, 1993). Currently, customer service could be described as a tangible resource of the company; however, the service component not only becomes an integral part of many company products but also becomes the source of sustainability and core competence (Grönroos, 2000). In this kind of hypercompetitive environment, it is required that the company should understand the values of customer attributes. Increasing the service component will have significant implications for the market and the company. “Knowledge is indisputably the primary basis for value added in today’s companies,” claims a management consultant (Peters, 1994, p. 10). Most recently, employees’ minds become a major role in service industries (Pilzer, 1990). The creativity of the employee’s mind, in the service department, is a very important part of innovation competence; indeed, it enables an organization to create an innovative service (Kelley, 1997).

3.5.3 Operation Capacity of Information Technology

There are two ways of increasing a company’s core competence: one is network competence, and the other is technological competence (Prahalad & Hamel, 1990). In the traditional way, the competence of a company means the company’s ability to attract customers and to provide product and customer services to them, but nowadays, customers are not satisfied with this service alone, which is why the network becomes more and more important (Marino, 1996). Technological competence means a company’s ability to understand the development and use of relevant departments of technical ability (Kim & Song, 2007). Therefore, using this ability of the company in the development of new products and new product market development process, the company with a high scientific and technological level will have a success ratio greater than those with only a low level of technical ability (Ritter & Gemünden, 2004).

A new technology should create some kind of competitive advantage. Increasing the value of a product to a customer or reducing the costs of bringing the product to the market creates competitive advantage. The potential for increasing value and reducing costs from a new technology is vast. The most obvious cost-reduction strategy is that of reducing the direct costs of labor and materials (Ritzman & Krajewski, 2004). The competitive orientation to supplier relations views negotiations between buyer and seller as a zero-sum game: whatever one side loses, the other side gains. Short-term advantages are prized over long-term commitments (Ritzman & Krajewski, 2004).
3.5.4 Marketing Ability in Logistics Markets

Green et al. (2008) proposed that logistics performance is positively correlated with supply chain management, and both these positively affect marketing performance. It could be understood that the marketing ability reflects TPL enterprise’s market influence, through the potential competitive advantages conversion to profit advantages, to influence logistics enterprises’ core competitiveness.

3.5.4.1 Definition of Marketing Strategy

Marketing strategy is a marketing logic, embodying a company’s aims to create customers and achieve profitable relationships with them. Marketing strategy helps a company to identify the total market and then divide it into smaller parts, choosing the most promising segments, focusing on service and satisfying customer value (Kotler et al., 2008). Looking at the customer-driven elements in the marketing strategy, a company must win customers from competitors, keep them, and grow them by delivering greater value. However, at first, the company needs to understand the customer’s needs and wants (Kotler et al., 2008). As a result, most databases fulfill a specific set of tactical requirements, including managing customer accounts and managing investments, e-mail, and credit. It always provides the means to target customers for cross-selling and testing new products, collecting customer information, and helping the company grow step by step. It can be a means of decreasing the distance between the customers and provides customers added value (Shaw and Elsdon, 1993). In traditional terms, business markets value research that focus on how suppliers create value for their customers and how customers perceive superior value in a supplier’s offering compared with the buyer’s prospective competition (Anderson & Narus, 1999). In recent years, both developing and retaining customers are seen as major assets of the firm, and the management of customer equity can be considered as a major perspective of customer value in marketing strategy. This also implies that the customer plays a key role in marketing strategy; they can affect the company’s decisions, everything that the company does in order to meet customer demands and value. As a successful company, they need to understand the customer’s needs and achieve their values. Customers are driving elements of the company.

3.5.4.2 Customer Value

Customer value is the overall evaluation of the utility for benefit gains and benefit losses of a product perceived by customers, and it is also the perceived power of the market after adjusting the relative price of the company’s products (Guoping, 2012). A company that has its core competence does better in creating customer value and
reducing cost than its rivals. Corporate core competence cannot be obtained via market transactions and is difficult to substitute. Specialized assets and tacit knowledge of a company are the significant market barriers to prevent other companies from entering the market that has been occupied (Vargo & Lusch, 2004). Therefore, a company can provide continuous and reliable protection for its survival and development. Hence, the core competence is a company’s developing platform (Flint et al., 2002). In terms of customer value creation, in the way of lower logistics costs, logistics services and end user satisfaction can make a key contribution for success over the competitor; as customers’ enterprise needs are oriented, it will help the enterprise reduce cost, improve efficiency, expand its market, create competitive success for the end user, and facilitate the enterprise to cultivate and maintain its core competence (Yunbin, 2007). There is a growing need for a company to be responsible for customer service and consider market demand (Horne et al., 1999; Petts, 1997). Building logistics can deliver better customer service, and because the logistics activities include a large commitment of capital, it can play the key role toward supply chain integration (Harrington, 1995; Möller, 2006). When built, it could provide the function in-house by creating the service.

3.5.5 Capability of Building Logistics Brand

Brands are not just names and symbols; they are key elements in the company’s relationships with their customers. A brand can stand for customers’ perceptions and feelings about the company’s product and how it performs (Al Ehrbar, 2006). As an excellent company, they are always closely followed by some kind of strategy, such as core competence, competing in capabilities, and so on. Each approach makes the management better. The marketing strategy is also included in it, and the RBV combines internal and external analysis. With external strategy the central focus of marketing strategy, there are many components, such as brand, product, and service (Berk et al., 2009). The kind of intangible resource has long-term effects on marketing strategy, and brand performance could also affect core competence. Brand can stand for “name, design, symbol” or any other feature that identifies one thing distinct from the others. Brand is often the most important asset of a company. The owners of a brand manage their brand very carefully in order to create shareholder value, and the skill of brand valuation can allow marketing investment to be managed to maximize shareholder value (Budelmann et al., 2010).
3.6 Core Competence of a TPL Enterprise

3.6.1 Definition of TPL

The TPL enterprises can handle a large number of services as the main core competencies; the TPL supplier is based on supply chain management and value, attention to products, and transportation as their core competitiveness.

- **Product**: Related to the procurement strategy, the TPL will help find the supplier’s cost to provide the best value, quality, and reliability. In the global economy, purchasing options are diverse and complex; many manufacturers do not understand the range of options available. The use of location and storage facilities may also affect an important part of product distribution strategy of TPL, including value-added activities, such as labels, packaging, return, and so on (Bustinza et al., 2010).

- **Transport**: The TPL establishes a good delivery time. The TPL is also recommended for supply chain routing conditions, such as frequency and scheduling, port, and the sequence of distribution center (Sink et al., 1996).

![Diagram of TPL services: Sourcing, Shipping, Warehousing, Routing, Product, Transport]

Figure 3.1. Third-party logistics.

3.6.2 Logistics Competence of a TPL Enterprise

TPL enterprises provide logistics services when other companies need them. Some companies do not have enough logistics abilities to transport or store, that’s why they need a TPL provider (Liu & Lyons, 2011). Logistics abilities are a main part of TPL providers; the more powerful abilities that the company has, the more competence it owns. A TPL provider needs to have logistics competence first in order to have core
A high logistics performance level could bring many benefits to the company, such as reduced costs, saved storage, and high-efficiency transport. TPL providers also use some information exchange system to enhance logistics performance. An advanced TPL provider has enough abilities to support a company. They usually have high quality, high speed, and dependability, things that build logistics competence (Armistead, 1993). When a company chooses TPL providers, logistics competence is the first condition to consider. The importance of TPL operation is that it reduces costs maximally, with high service quality and low price, and considering the perspective of clients, the core of TPL is shipping goods as quickly and safely as possible until they are delivered to clients. A TPL is an enterprise relegate to a professional logistics service enterprise to deal with their own logistics activities (Liu & Lyons, 2011; Marasco, 2007). Through an information system, a TPL keeps close communication with a logistics service enterprise simultaneously, which is a way for the logistics operation to achieve, manage, and control the whole logistics flow path. (Halldorsson & Skjott-Larsen, 2004).

There are many ways to enhance logistics competencies, such as quality, speed, and dependability. Their definition and connection are described in the following sections (Armistead, 1993):

### 3.6.3 Quality

Quality in operation strategy is the professionalism and friendliness of staff. It could be described as the ability to change product details in the future. It is the accuracy of work and the insightfulness of financial advice. The competitive factors include the percentage of products conforming to the product specifications (Slack & Lewis, 2011).

Quality is customer based, product based, and manufacturing based. It needs understanding the trade-off between costs and creation of the product design. Attributes and characteristics are very important aspects of quality. It can help a company to set product standards and improve them. Bad quality will bring low customer satisfaction and also cause low market share and low productivity, revenue, and profit; it will also cause more reworking, use of material, and labor cost. If a company has good quality, it will gain competitive advantage (Benson, 1993).

### 3.6.4 Speed

Speed in strategy could be defined as the time it takes for a call center operation to respond. It needs prompt advice response and fast loan decisions and availability of funds. Lead time is very important to consider, such as lead time from enquiry to
“Corporate real estate (CRE) plays an important part in organizational competitive advantage and can deliver performance through speed to market and flexibility” (Cruickshanks, 2012). High-speed performance can be characterized by decreasing cycle times for change and an increased requirement for agility in forecasting the customer’s needs. A smart workplace could plan to provide significantly more flexible solutions and quickly respond to customer demands, playing a key role when the company builds competitive advantage (Ni et al., 2006). Increased speed could meet the changing market requirements and also maximize customer service levels and minimize the cost of goods with the objective of being competitive in a global market and increase the chance of long-term survival and profit potential (Gunasekaran & Yusuf, 2002).

3.6.5 Dependability

Guba and Lincoln (1989) mentioned a parallel to the four standards of rigor used in the so-called conventional paradigm, that is, credibility, transferability, dependability, and conformability. Among these, dependability can be conventionally termed reliability. This concerns the stability of data over time (Guba & Lincoln, 1989). Dependability is achieved by documenting the logic of the logistics process and the method decision outlines in a dependability audit (Guba & Lincoln, 1989).

Dependability is promising a date of delivery and making sure that customers are kept informed of delivery dates. Delivery needs to be “on time, in full.” It also means always being reliably available when the customer needs you (Slack & Lewis, 2011). Dependability can increase financial performance in a logistics company. It would be logical to treat some measures as market share: increasing market share means that the company could expand their business quickly, and given that, more and more customers will choose them because of product quality, marketing effectiveness, and manufacturing value added (Smith & Grimm, 1987).

3.6.6 Flexibility

Flexibility capacity refers to the time, effort, cost, or performance to move quickly to respond and changing the situation (De Toni & Tonchia, 1998). The most important for a company’s flexibility is the ability to react fast to customers’ changing demands (Metternich et al., 2013). Khin et al. (2012) indicated that strategic flexibility is positive correlation with customer orientation on innovativeness, competitor orientation on innovativeness, and technology orientation on innovativeness. It means
that the better strategic flexibility could improve the ability of product innovativeness and thus help the enterprise to gain competitive advantages.

3.7 Operation Capacity of a TPL Provider

Any errors in logistics operation processes will cause a negative effect to customers, and good logistics operation capacity is the guarantee of highly effective processes. It includes the following:

3.7.1 Just in Time

Just in time (JIT) is a production strategy that strives to improve a business return on investment by reducing in-process inventory and associated carrying costs. In manufacturing, JIT brings many benefits, such as improved operational efficiency, uniform workstation loads, standardized components, standardized work method, cooperative relationships with suppliers, and closer collaboration with customers (Duimering & Sajayeni, 1991).

3.7.2 Vendor Management Inventory

The vendor management inventory (VMI) system is the provision of a customer service information system strategy for the manufacturer or supplier. According to EDI and ERM system, providing information via the Internet will help the supplier to quickly understand the point of sale of the inventory and then, through the preset program, calculate the type and quantity of the goods that need to be supplied to the point of sale for the inventory to be maintained at an appropriate level. It can reduce logistics center inventory costs and improve customer service quality objectives (Danese, 2006).
3.7.3 Business Processes Reengineering

Business processes reengineering (BPR) is a business management strategy, originally pioneered in the 1990s, focusing on the analysis and design of workflows and processes within an organization. BPR works in order to help organizations fundamentally rethink how they do their work and dramatically improve customer service, cutting operational costs and becoming world-class competitors (Gene & Brian, 1997).

3.7.4 Information System

A supply chain partnership is the relationship between independent members and supply channels; the specific objectives and benefits are increased levels of information sharing to reduce total costs and inventories. It promises a win-win situation to ensure the benefits to company’s supply chain. In a supply chain, each member of the chain has the ability to forecast its product demand and establish its own production planning, material requirement planning, or inventory control. As usual, the demand forecasting could include some uncertain terms and could affect the supply chain. This effect is also described as the “bullwhip effect.” The bullwhip
phenomenon has been described in many diverse markets (Lee et al., 1997). The means of reducing bullwhip is to develop an information sharing system. EDI and VMI technology can enhance suppliers’ shipment and supply chain system performance. The importance of expanding information integration is that it could prompt increasing attention to establish strategic supply chain partnerships (Srinivasan et al., 1994). A member of the supply chain needs to obtain more information about other members. Through supply information systems, it could reduce or eliminate uncertainties.
4. FINDINGS

This section will first give a brief presentation of the situation of the case company and then illustrate the main factors to build logistics competence in Haier Logistics through the primary and the secondary data. The primary data were collected from one face-to-face interview with the local manager of the office in Guiyang and one e-mail interview with the CEO of Haier Logistics. Secondary data were gathered from scientific articles and information on their website. The contribution and advantages of the data collection will be presented in the third part; finally, there will be a short summary in this section.

The main factors that build the competence of logistics in Haier Logistics could be summarized into six parts: the resources integration capacity, the operation capacity of logistics, the innovation ability of logistics, the operation capacity of information technology, the marketing ability in logistics markets, and the capability of building a logistics brand.

4.1 Overview of Haier Logistics

During 1991 to 1998, the Haier Group merged with and acquired about 18 companies, a preliminary diversification. However, at the same time, building the brand diversification process brought the new challenge of how to deal with centralization power type. Mr. Linghu has introduced that “process reengineering” was first put forward in 1998 in order to establish Haier Logistics independently with other product departments. Nowadays, Haier enterprise is honored as the leading brand in China, and Haier Logistics is dependent on the Haier Group.

Through primary data, it is known that Haier Logistics is a subsidiary company of the Haier Group. It relies on the advanced management philosophy and the strongly networked resources of the Haier Group to build its competencies, to provide the most competitive integrated logistics integration services for global customers, and to be the TPL enterprise that has the most competitive power all over the world (Linghu, 2013). Haier Logistics focuses on the optimal supply chain, and the whole process is simultaneously engineered, eliminating the enterprise’s internal and external links of repetition and invalid labor, making resources to achieve a value-added product in each process to meet the goals (Haier Group, 2005). Thereby, it gained a competitive advantage based on time and space, producing the lowest total logistics costs to provide the biggest value-added services for customers. Haier’s operations won a steady stream of orders (Linghu, 2013).
4.2 Main Factors to Build the Competence of Logistics in Haier Logistics

As a logistics enterprise, through its own efforts, it attempts to cultivate unique competitiveness and achieve more benefits, for example, providing reasonable prices and personalized logistics of higher quality for customers with timely and quicker delivery. In addition, the logistics enterprise can gain considerable benefits for itself by providing logistics services, maintaining long-term development, and constantly improving corporate competence, leading to the realization of the “win-win” situation between logistics enterprise and customers (Haier Group, 2013).

4.2.1 Integration Capacity of Resources

The main focus of Haier Logistics is on human resource integration; they think human resource has a unique value. It can improve the efficiency of an enterprise beyond that of competitors in creating value and reducing the cost of investing (Haier Group, 2013). Human resource (HR) management can play a key role in the articulation of strategic vision. Haier’s HR management have documented how middle managers could have a right to affect the strategic decision (Haier Group, 2013). These kinds of human resource could operate as an invisible competitive advantage. It is an important part in the company’s culture, and organizational culture, expended in coordination work, and an easy control of employee effort will achieve the desired organizational outcomes.

In order to form a good competitive environment, Haier formulates some requirements. Picking the excellent talents from the internal company and employees and managers needs subjectivity to execute self-control and a consciousness of self-discipline; Haier’s unchangeable concept generation not only guides every employee’s development but also restrains their value. “Customers are always right while we need to constantly improve ourselves” demands that each employee should have the two spirits of entrepreneurship and innovation; the spirit of doing pioneering work is entrepreneurship. Haier encourages each employee to have entrepreneurship, changing from being managed into independent management and becoming the CEO of their own; the essence of innovation is to create new value, and the creation of new value originates from creating new users (Haier Group, 2013). The HR system could also facilitate and foster the accumulation of organizational knowledge. A continuous monitoring of HR systems throughout the firm could achieve a sustainable competitive advantage; integration is an important form of innovation, with a long period of human resources integration and other resources in the integration process. Haier has formed the HR system. This system helps the company to have transformational competencies, cultivating and improving the innovation ability, providing the fundamental driving force for the development and basic guarantee of the enterprise, fostering organizational learning, promoting the organizational culture brand of Haier, and improving its reputation and social influence around the world.
4.2.2 Operation Capacity of Logistics

Haier is in the market chain to process reengineering and innovative processes. The JIT purchasing distribution center consolidation of Haier Group’s procurement and distribution business formed a large-scale, networked, information-based JIT procurement and distribution system. Haier Logistics’ JIT purchasing management system implements orders to procurement, reducing procurement logistics costs to carry out the VMI mode, and establishing strategic cooperative partnership with suppliers to achieve a win-win situation. Currently, JIT purchasing included and oriented more than 50 of the Global 500 enterprises’ suppliers to implement globalization procurement business. In the meantime, there is an all-round implementation of consignment purchasing patterns that provides a one-stop place for third-party services for users. The Haier Logistics base is its first-level distribution network and within the regional distribution network to an established regional distribution system. Each distribution center can support both regional distributions and is connected directly to other distribution center systems, making the single point and line form the perfect finished products distribution logistics system. The scattered and small batch orders, as the logistics optimization point of view to do a reasonable distribution planning, to realize a line multipoint distribution, providing perfect 24-hour logistics services for customers, forming as a trunk line transportation, regional distribution, city distribution three-level moving’s transport distribution system. Meanwhile, cooperation with Haier Group’s home appliance sales network will form a deep and broad cover of a comprehensive logistics service network (Linghu, 2013).

Business process reengineering (BPR) is the core of the business process oriented to customer satisfaction. It is based on information technology to fulfill the demands of customers’ service and systematic philosophy better, improving enterprise organization workflows and related activities—BPR’s emphasis is on process-oriented alternative functional orientation of the enterprise organization form of the original. BPR can adapt different market demands and satisfy customer-personalized requirement, and it will increase enterprise market reaction speed (Linghu, 2013). How to use the personal network is the key factor in building main competencies. Haier Logistics builds a BPR purchasing platform through three JIT logistics distributions to implement the synchronization flow. Haier adopted the B-to-B procurement (raw materials Internet purchasing platform), meaning that each supplier could accept the order form through this platform and check order planning and stocks through the Internet system, replenishing products on time to achieve JIT purchasing. Haier orders for the shop to a fixed point with a fixed ration, time, and set
of people to quicken inventory turnover funds and to achieve JIT station-crossing logistics management. In the JIT distribution, after the production department has finished B-to-B and B-to-C order demands, it goes through the Haier Global Distribution Network for delivery to users. This forms the largest nationwide distribution logistics system. When the products arrive in the store, the logistics department could agree on the next day’s product planning and use the computer system to manage it. In external terms, to establish a global resources supply chain and to reduce the distance between customers and suppliers, Haier’s customer relationship management department builds a connection with the BPR electric business platform. In the internal enterprise, using the auto–computer system to control processes can reduce artificial cost and improve labor effectiveness; it also directly improves the accuracy level in the logistics process to achieve zero defect quality. In total, three JIT strategies allow Haier Logistics to win competitive advantage based on its speed in rapidly changing markets.

4.2.3 Innovation Ability

In general, important corporate competence has value variability; the value will decrease absolutely or relatively as time goes on (Linghu, 2013). However, the competence of Haier Logistics does not decrease but increases, and one of the reasons is Haier Logistics’ innovation ability.

Manager Yang described their strategies innovation: Haier Logistics’ leadership believes that “enterprise is not whether you want to do diversification or not, but how to do diversification issues well.” During the processes of moving from single products to diversify, Haier followed a strategy of finishing a product well and then doing the next one, which meant pouring a strong foundation. The internationalization strategy turned Haier from a qualified exporter to a localized brand all over the world.

Manager Yang also described idea innovation: If it is resolved to do something, we must update our ways of thinking first, or it will be difficult to support these innovation strategies. Haier put forward the concept of “three eyes,” namely, one eye to stare at internal departments, one eye to stare at external departments, and the third one to stare at government to grasp the opportunities, such as new policies.

Manager Yang mentioned technology innovation: Haier’s leadership thought that “enterprises’ technology strength does not lie in what you owned, but what you can integrate.” For advanced technology, Haier improved it and in the process became involved in constantly absorbing and innovating. Import-absorb-innovate has become the technology innovation structure of Haier.
Manager Yang introduced organizational innovation: Haier’s organizational structure evolution has gone through three stages: straight-line function organization structure, matrix structure, and market chain structure. The merit of straight-line function organization is that it is easier to control the end terminal, but the shortcoming is a slower market response when the enterprise is expanded to a larger scale. The requirements of diversified development are not adapted. The virtue of matrix is that it can mobilize all human resources to propel a new project quickly, but the major problem is that the employees may do several kinds of project parts at the same time, so the project’s implementation and decisions must be affected. At present, Haier have turned organizational structure to a market chain structure, targeting users’ satisfaction to fulfill their personalized demands and making each staff member respond to the market as quickly as possible, transforming organizational structure to market chain structure through constant organizational innovation, always keeping the enterprise’s vitality to respond to markets quickly.

Manager Yang presented process reengineering: Haier’s business process reengineering can be expressed by three “zeroes.” The first “zero” is zero distance, which means building a zero-distance relationship with customers; the second “zero” is zero stock, which means raw material and components purchasing with orders, not inventory; and the third “zero” is zero operation capital, which means launching more than two patents and products to meet the personalized demands of customers each day, thus creating more valuable orders.

Manager Yang concluded with market innovation: In the way of market innovation, Haier does four steps, as follows: (1) to form a quality assurance system, passing the most stringent six kinds of quality standards in the world; (2) to adhere to the principle of “well begun is half done” then move into developed countries first than developing countries; (3) to insist on the Haier brand; and (4) to adhere to speed. Haier has self-knowledge that in areas of technology, selling, and so on, they are poorer than some foreign companies, so they adhere to speed to occupy the commanding heights of markets, creating a famous world brand.

4.2.4 Operation Capacity of Information Technology

Haier Group’s process reengineering is to use “one flow three nets” to reflect modern logistics’ informatization and webification. “One flow” is the order form information. It means that all information of the company should surround the order. “Three nets” means global supply network, global delivery network, and computer management network. Using “three nets” through the order purchase form achieves four goals: decreasing stock level, gaining the global supply chain network, increasing logistics
speed, and synchronizing the product process connected with the computer system. It allows building of a logistics headquarters, which includes purchase, delivery, and storage. For the Haier Logistics supply chain process, such a central control that can manage each product ensures that they are qualified then sets up its own storage to decrease the inventory and increase delivery efficiency (Haier Group, 2013).

To its opponents, the Haier Group has the most awesome fast-thinking innovation and the ability to implement innovation. The Haier Group’s brand strategies are, in quality terms, “defect products equals waste products”; in service terms, “customers are always right”; and in brand terms, “is selling reputation not just products.” In addition, “logistics” runs through the strategies from beginning to end. Because of the operational complexity and difficulty of modern logistics, many home appliance enterprises choose to outsource logistics services, gaining high-quality logistics services without having to take on too much risk and costs. However, the Haier Group still chose to build their own logistics system. In order to reform, the first thing that Haier does is “the enterprise management revolution.” The corporate development of modern logistics cannot avoid process reengineering; it will change the original “straight-line function organization” pyramid structure and reform it to “delayering.” This kind of internal management reengineering is a painful revolution, but it is the only way for an enterprise that wants to stand up in the international competition platform (Haier Group, 2013).

Table 2. Haier “One Logistics Flow Three Nets” Flowsheet (Haier Group, 2013).
4.2.5 Marketing Ability in Logistics Markets

In this part, we use SWOT as the tool for the analysis of Haier Logistics’ strategy. We will discuss these pieces of evidence based on research aims. To integrate the conditions of Haier Logistics internally and externally in all aspects, using the SWOT analysis method to analyze the strengths, weaknesses, opportunities, and threat can help us understand Haier Logistics’ situation more clearly. In general, it is used in strategic research and competitive analysis, but in this paper, we used SWOT to analyze Haier Logistics’ current situation to better realize its competitive position.

![SWOT Analysis Diagram]

**Table 3. SWOT of Haier Logistics.**

**Strengths**
Haier Logistics has a highly efficient international logistics center, establishing the platforms of the supply chain management support system through the VMI system and logistics technology to improve supply chain logistics efficiency, reducing stock costs, achieving punctual JIT production and distribution, and making real added value. Haier Logistics, from a privately used logistics system, developed to the multiopen publicly used third-party distribution center. Compared with potential competitors in the way of investment costs, operation environment, and management experience, Haier Logistics has more unique strengths.

Haier Logistics has a nationwide marketing network system and high-quality service and large-scale logistics business, with such abundant capital that these advantages inevitably result in costs being reduced. Through more than ten years of development,
Haier Logistics has relied on advanced management concepts and techniques to trend to become more and more powerful. Haier Group has obvious brand effects and higher awareness, and most consumers have identified Haier more strongly. Haier is world famous as a good brand image. Haier’s innovative technique, superior products, and superior services made it a reliable cooperation partner, winning good reputation in advance to become a third-party distribution service provider.

**Weaknesses**

Haier Logistics, in a whole new industry, has a huge investment at an earlier stage; the old operation process goes against the new situation function of the logistics business, the insufficient cognition of enterprise for logistics distribution. This led to difficulties in market promotion. Meanwhile, the lack of logistics management experience has brought more challenges for Haier Logistics to improve competitiveness and survival quality.

**Opportunities**

For the logistics industry, the third profit source of Haier’s logistics distribution is currently developed in countries widely used to an advanced modern logistics way that is most reasonable.

At present, TPL is in the developing stage in China; most logistics enterprises are still giving priority to traditional warehousing and transportation. However, only a few enterprises can provide for the world popular logistics system services, for example, integrated design, orders management, and inventory management. It can thus be seen that the TPL has broad growth space and development potential.

**Threats**

Foreign home appliance manufacturers moved into the China market and brought the corresponding mature logistics services, leading to increasingly intensified competition in the home appliance industry. In the meantime, striving for the logistics markets competition stretched the enterprise, and Haier’s investment in the home appliance field was affected. How to service customers better and seek larger markets as development prospects became problems that Haier Logistics had to face.

Environmental analysis has become an increasingly important enterprise function. Here, Haier Logistics adopted green logistics in the distribution processes, using SWOT to analyze environmental opportunities and threats. In environmental threats, the development tendency of adverse environment formed the challenges. If it does
not respond to this kind of adverse trend, the threat will lead to the enterprise’s competitive position being weakened. Moreover, environmental opportunities are an area that is attractive to enterprise behavior in this field. The enterprise will gain competitive advantage.

When two enterprises are in the same market or they are able to provide products and services for the same customer groups, if one of the enterprises has higher profit rates or profit potential, then the public will think this enterprise has more competitive advantage than another enterprise; in other words, competitive advantage is the ability that goes beyond its competitors. Although sometimes competitive advantage is not necessarily completely shown in higher profit rates, it may be shown in other ways. Here, the analysis of enterprise strengths and weaknesses can help the enterprise find a competitive position and achieve competitive advantages.

4.2.6 Capability of Building Logistics Brand

Brand, as a symbol of the enterprise and its products, has already become the enterprise’s most valuable asset. It is the direct embodiment of corporate competence.

As the first brand of Chinese home appliance enterprises, the Haier brand has obtained a sustainable competitive advantage of participating in home and foreign markets. This advantage lies mainly in some “Haier” characteristics:

- **Brand Differences**

In the three stages of development, Haier always put its brand strategy first.

The first stage (1984–1991) is the brand strategy stage. In that time, Haier just produced single refrigerator products, seeking through their efforts to enhance the product’s quality and improved services to improve corporate competence.

The second stage (1992–1998) is the diversification strategy stage. To “succeed to the west,” Haier, from being a brand with one type of product, developed into a large-scale famous brand with a whole series of home appliance products. This improved corporate competence as a whole.

The third stage is the internationalization strategy that began in 1999. In this stage, Haier’s business operation and selling services achieved the domestic markets internationalization to improve international competitiveness. Nowadays, Haier has spread around the world in home appliance markets as the products that consumers rushed to buy (Haier Group, 2010). The differences in service quality and level are the key to winning the competitive advantage in home appliance products. The
high-quality products, the personalized services, the rapid market response, and the ability to integrate markets through a series of mutual coordination and competition resources formed today’s Haier brand advantage. For Haier to say low-cost strategy has become unnecessary, implementing differentiation competition is its fundamental strategy.

- **Customer Value**

In current society, users increasingly want to buy the added value of products, not merely the products’ money value. A small but growing number of companies in the markets draw on their knowledge of what customers’ value or what they value to gain marketplace advantages over their less knowledgeable competitors. Haier’s high brand popularity and good reputation can fulfill users’ personalized demands quickly. Letting the user feel content is worth something. The mutual trust relationship between Haier and the customers won the brand the respect and loyalty of users.

- **Natural Ductility**

The reason why brand is a competence of Haier is the fact that its brand has “natural” ductility. Haier relies on brand advantages through product innovation. From the single refrigerator product extending to the whole set of home application products, it made Haier’s brand extend in terms of product range. Haier activated many companies that were on the brink of bankruptcy or lack of vitality, with advanced management methods and high-quality cultural services. Thus, annexation of companies to build new Haier brand competitiveness realized the extension of the Haier brand.

4.2.7 **Fourth-Party Logistics**

Haier was constantly expanding the TPL service while starting the fourth-party services industry. Haier Logistics, through their own logistics business process reengineering and development, have a great resource in the open system in terms of corporate logistics management, supply chain management, and process reengineering. They have accumulated valuable experience. They can provide social resource industries for customers; help customers with the planning, implementation, and execution of supply chain processes; and furnish logistics value-added services for the manufacturing industry and the aircraft industry. Haier Logistics has gradually moved from original enterprise logistics to socialization logistics, so that with the ever-expanding socialization logistics services, Haier Logistics will become the real third profit source for enterprises.
4.3 Build Logistics Competence

Haier Logistics has an integration procurement system, putting all procurement activities together and then purchasing high-quality but low-priced components and parts worldwide. After procurement integration, Haier’s integrated global distribution network delivers a product to use as required on time. The advantage of integration is that it maximizes Haier’s distribution network to international markets, establishing close cooperation with more than 300 companies and reducing the sluggish materials in terms of quantities, warehouse area, and inventory capital as well.

Internally, Haier implemented the mode of orders as the center, and each department has information synchronization, reducing the response time for orders to the greatest extent. Moreover, in the international logistics center of Haier, in order to complete orders fast and with high quality to gain competitive advantage, using high-tech access, loading and unloading goods automatically improve the operation speed enormously. Haier Logistics’ JIT speed realized the synchronization process and formed the largest distribution logistics system nationwide, enhancing the inventory turnover and increasing the utilization rate of funds, reducing the manufacturing costs. Haier has become the first choice for customers in China, and the reason why it got to this advantage is its well-deserved reputation. Organizational culture is the soul of Haier. Through this kind of culture contribution, Haier has built its own competence to face different challenges in the market. As an international enterprise, Haier has a particular culture.

Mr. Yang, who is the legal representative, said a lot about the work of the company as we followed our research aims to ask the next question, “What main factors build the important competencies of logistics in Haier?” He mentioned that Haier Group, once in a popularity survey of Chinese market advantage brand, defeated opponents such as Coca-Cola, Microsoft, and Nokia, which are world-famous brands, and became the most famous brand of Sino-foreign brands. The Haier Group gained such an achievement mostly depending on its source of competitiveness—Haier Logistics.
5. ANALYSIS and DISCUSSION

This section is based on research questions to compare literature review with findings, through analysis and discussion to answer the following questions: (1) what main factors build the competence of a TPL enterprise? (2) what are the advantages of building logistics-related competence for Haier Logistics? Integrate the main factors to build competence of logistics and the main factors to build competence of TPL enterprise, to discuss and find the answers about whether the logistics competence is the important competence of TPL enterprise.

5.1 What Are the Main Factors to Build the Competence of a TPL Enterprise?

The TPL enterprises’ main competencies were described in six parts: the resource integration capacity, the operation capacity of logistics, the innovation ability of logistics, the operation capacity of information technology, the marketing ability in logistics markets, and the capability of building a logistics brand. First, for the resource integration capacity, integration logistics resources imply that according to enterprise development strategic and market demands to optimize logistics resources, effective integration of logistics resources can reduce operation costs and improve market responsiveness (Hui & Xuming, 2012). Literature says that resources have various types (Hannemann-Weber et al., 2012; Laakso & Manninen, 2007), but because Haier Logistics is a TPL enterprise that leeches on to the Haier Group, many other resources considered, such as investors and government, are handed over to the Haier Group to deal with; Haier Logistics just focuses on integrated internal human resources.

For the operation capacity of logistics, the literature mentioned that any error in logistics operation processes will cause a negative effect to customers, and good logistics operation capacity is the guarantee of highly effective processes (Haiping, 2004). The points of Haier Logistics are almost matched with those of the literature. However, the Haier Logistics supply chain management adopted JIT strategies with their own characteristics. The needed raw materials of Haier products should be procured in a unified global scope; it can get economic scales and can search the lowest price in the global range. Hence, Haier Logistics’ JIT purchasing is worldwide, and the lower the purchasing price, the lower the logistics costs. This is the direct impact between the two, which can directly increase the profits for Haier, and this price gives the enterprise more competitiveness in markets. Haier, through the network and IT platform, is able to select and evaluate suppliers worldwide. Haier’s JIT distribution is the most important point of JIT strategies because it is JIT
distribution not JIT transportation. Transportation is long distance and delivery is short distance, according to the orders distribution in the local range, at any time and in any quantity, and the quality must be qualified, so it is a high requirement for Haier Logistics. In Haier, VMI is the important module of Haier Logistics. Haier Logistics’ VMI, through reference to the international advance operation pattern and integration resources, has been on the right track and successfully operating for three years with the Haier process and organization reengineering. Haier Logistics’ VMI became the most important link in Haier raw material to supply chains. Its service is based on qualified and excellent suppliers. Haier Logistics’ reformation is a kind of business process reengineering in which as order information flows to the center, implementing business process reengineering is a needed basis of market chains, getting rid of stereotypes and breaking the inherent operation pattern. Haier in BPR reformation is including logistics ideas, reengineering, and logistics competence reengineering. In the process of logistics reformation is the integration of Haier development histories, including adopting the “three JIT” and VMI system integrated into these processes.

For innovation ability, innovation process includes concept generation, product development and process innovation, and technology acquisition (Verhaeghe & Kfir, 2002). “Innovation has been regarded as essential for companies to remain competitive” (Pitt et al., 2006, p. 1 53). Innovation ability includes different parts, not just for product innovation. Haier, according to the change of market environment and adjustment targets, is actively implementing comprehensive innovation, including strategic innovation, idea innovation, technological innovation, and organizational innovation, finally gaining fruitful achievement. As the development history of Haier hints, Haier’s innovation is constantly interrupting current enterprise balance and setting up a new imbalance. Then on the basis of the imbalance, it acquires a new balance. In the way of logistics innovation ability, Haier Logistics has their own logistics system, “one flow three nets,” to reflect modern logistics’ informatization and webification.

For the operation capacity of information technology, technological competence means the company’s ability to understand development and to use the technical ability of relevant departments (Kim & Song, 2007). Haier Logistics use the unique “one flow three nets” to structure a global information and distribution network, and the scope of the nets is the top among Chinese logistics enterprises. The key to logistics enterprise development is the cultivation and utilization of talent. The enterprise needs to arouse the enthusiasm of employees, drawing all employees consciously into the enterprise management culture, and good teamwork can promote the enterprise’s operation management.
For the marketing ability in logistics markets, Green et al. (2008) proposed that logistics performance has a positive correlation with supply chain management and that both these positively affect marketing performance. It could be understood that the marketing ability reflects the TPL enterprise’s market influence, through the potential competitive advantages conversion to profit advantages, thus influencing logistics enterprises’ main competitiveness. Haier Logistics initially is just service for Haier Group’s logistics activities, but in order to expand markets to gain more competitive advantages, Haier Logistics became a public TPL enterprise, and the premise is to fulfill its own logistics demands. The Haier TPL market is positioned in large-scale production enterprises, commercial enterprises, and e-commerce enterprises as service objects. Although the supply chain process includes raw material logistics, production logistics, and product transfer and distribution, it will provide logistics support as the service content, also providing logistics capability evaluation, system design consultation, and the whole process logistics agent as service methods. Haier Logistics, with its own high-quality service for all enterprises, established a highly efficient supply chain system, and it has become the largest provider of TPL and value-added service that is the customers’ first choice.

For the capability of building a logistics brand, the intangible resource has long-term effects on marketing strategy, and brand performance could also affect competence. Brand can stand for “name, design, and symbol” or any other feature that identifies one thing distinct from the others (Budelmann et al., 2010). Although Haier Logistics depend on the Haier brand to attract more customers, especially the loyal customers that they just believe the brand first off, a good public praise brand helps Haier expand into more products because customers are already familiar with the brand. Compared with the new brand, customers will more easily accept this brand’s new products. Although brand extension will be kept relevant and consistent with original products, Haier’s original product is the refrigerator, and it has expanded to household appliances. Consistency with the original product can achieve consumers’ recognition and acceptance more easily. If the brand extends out of relevance and consistency with the original product to blind innovation, it is hard to sell and to get a response. Haier is no exception. Having been into the medicine and the real estate industry, the result can be imagined—it was defeated. Brand extension made Haier win more markets and develop space and profits, owing to the high reputation and good image of the Haier brand. Brand value can be value-added constantly.

Haier Logistics had the innovativeness to propose the management mode of “one flow and three nets.” When comparing supporting theoretical framework and findings in Haier Logistics, “one flow and three nets” can be found. Haier Logistics has only one
management mode; it fully reflects Haier Logistics’ innovative ability. Haier Logistics’ “three nets” flow synchronizes support for orders through information flow of value added and ensures not only the leading products technology of Haier but also the improved products’ technological quality. In the meantime, the developmental speed of products was greatly accelerated. However, in international markets, because of long-distance delivery, it is necessary to set up a distribution center in other countries, but it is a huge cost to do this. Foreign people do not know the gap in international markets. They have not known this brand so they have not understood that huge investments do not bring financial return, losing a lot, especially in Western markets. This is still a problem today, the gap that Haier may have solved by its innovative ability and effective management. This thesis chose Haier Logistics as the single case company to study and research to find out if the main business operation of Haier Logistics is logistics services. It could be regarded here that logistics is the most important part of Haier Logistics operation. Thus, it can be deduced that the main factor of logistics is the Haier Logistics’ competence also. However, although Haier Logistics is a TPL enterprise, this study cannot decide if this deduction fits all TPL enterprises.

5.2 What Are the Advantages of Building Logistics-Related Competence for Haier Logistics?

The advantages can be brought by building logistics-related competencies in Haier Logistics through the network to realize the full-range logistics capacity of customer-centric logistics network. This saves inventory costs and achieves customization through resource management to reduce logistics costs and through order management to improve order response speed. The enterprise of Haier’s human resources integration mechanisms realizes the outstanding optimization of talents; a good resource management could help the company build its own competitive advantages. The main factor of logistics competence in Haier Logistics is providing reasonable prices and personalized logistics of higher quality for customers with timely and quicker delivery; dependability, flexibility, and customer responsiveness are also included in it.

Haier’s integrated logistics services set up the TPL enterprise with competitive abilities. This logistics system can support high efficiency and correct logistics process for each product and also lowers the cost of the new product and delivers it in a short time. At the stage of process reengineering, Haier Logistics took the strategies that lead in three JIT management, forming the complete synchronization process system supported by an information flow aimed directly at the markets. These three JIT strategies gave Haier Logistics a competitive advantage in the constantly
changing market conditions based on customer demands to producing, eliminating the range of sluggish materials, reducing logistics costs, and so on. The operation capacity of information technology is reflected in net sales through sharing “information network” and “marketing network” to achieve logistics’ rapid response. After consumer orders, Haier Logistics could deliver products for the shortest time, achieving real “on-demand service.” The advantages from the logistics services are not only making these services affordable to consumers but also attracting more and more electricity suppliers to the Haier Group. In short, these six main factors that build Haier Logistics’ competencies support competitive advantages in an international market.

5.3 How Important Is Logistics Competence for Haier?

Companies are likely to be different in terms of their abilities to select, build, deploy, and protect important competencies. These differences are likely to yield differences in corporate performance, such as R&D ability, entrepreneurial ability, financing ability, marketing ability, profitability ability, and growth ability (Yanrong et al., 2011). Critical competence is the ability of a firm to successfully identify its nature and to develop, upgrade, and deploy its hierarchy of competencies to attain sustainable competitive advantage. A unique set of resources, capabilities, and skills, which accumulate over time, plays a significant role in providing a direction for the firm’s future strategies. A firm’s competitive advantage is thus derived from this unique knowledge (Srivastava, 2005). The studies predict that important corporate competencies could reduce hidden costs and delivery times, improve quality conformance, improve logistics service, maximize profits and profitability, enhance market reputation, and assure markets in the future by innovations, learning, strategies in an organization, and so on.

Simple products compete on factors such as quality and price, but nowadays, market competition changes to higher situations, including delivery to home and repair, and this will be related to logistics. Logistics competence is “an ability to sustain the coordinated deployment of assets in a way that helps a firm to achieve its goals” (Sanchez, Heene, & Thomas, 1996). “Logistics competence is an important strategic asset for manufacturing firms to compete in the current global environment, logistics competence, such as customer responsiveness and competing on time, can be valuable resources for corporate strategy” (Morash, Droge, & Vickery, 1996). Logistics competence in Haier Logistics is providing reasonable prices and personalized logistics of higher quality with timely and quicker delivery for customers. In addition, the logistics enterprise can gain considerable benefits for itself by providing logistics
services, maintaining the long-term development, and constantly improving corporate competence (Zhiqiang & Guanglei, 2004). Haier Logistics adopts their logistics innovation system, arranges a reasonable distribution plan to achieve a line of multipoints delivery, and provides a comprehensive 24-hour logistics service with reasonable prices for their customers. It formed triple junction distribution, that is, trunk transport, regional distribution, and urban transport, and coordinated with Haier Group’s home appliances sales network simultaneously to promote this logistics system, forming a comprehensive logistics services net with depth and breadth coverage. The literature mentions the same as that with Haier Logistics (Armistead, 1993; Gunasekaran & Yusuf, 2002; Slack & Lewis, 2011): quality, speed, and dependability. Flexibility is not directly illustrated in findings, but Haier Logistics’ strategic flexibility is done well because the innovation ability could respond to market demands as quickly as possible, and the main focus in Haier Logistics is human resources management; one of the training schedules is to cultivate employees’ ability to respond customers. The points described as logistics competencies play a key role in Haier Logistics to help the Haier Group attract more customers who want logistics services that are more effective and have better delivery speed. Haier Logistics will give their customers services with better quality, dependability, and flexibility to achieve higher sales volume because of brand chain reaction. It cannot be ensured that logistics is the core because only valuable elements are found in it, but logistics could well be an important competency for Haier Logistics.
6 CONCLUSIONS

On the basis of the findings of the case study, this section concludes the main factors to build logistics competence and the advantages Haier Logistics could have and then summarizes the discussion results. In order to achieve the ultimate purpose of this thesis, three research questions are presented:

- What are the main factors in building the competence of a TPL enterprise?
- What are the advantages of building logistics-related competence for Haier Logistics?
- How important is logistics competence for Haier?

Haier Logistics is a TPL enterprise that can handle a large number of services as a main competence, when the third party has realized the reasonable social division of labor and the rational allocation of social resources. At the same time, significantly improving the competitiveness of manufacturing enterprises and logistics enterprises, it has fully shown the advantage of integrated TPL. According to the literature and the findings of the case study, the main factors can be concluded as (1) the operation capacity of logistics, (2) the innovation ability, (3) the operation capacity of information technology, and (4) the logistics competence. The research found that logistics competence is indeed an important competence for Haier Logistics, which includes service quality, speed, dependability, flexibility, and customer responsiveness. The advantages of building the important competence of logistics for Haier Logistics can be illustrated as reduced logistics and inventory costs, improved logistics services quality and customer feedback, and maximized profitability and product life cycle, which help the enterprise gain sustainable competitive advantage. Nowadays, international markets do not just need to meet the customer requirements, but they also need to respond to the society. All these factors can help Haier achieve the competitive advantage of building logistics competence and making the subsidiary corporation interact with each department of Haier, promoting the overall development of the Haier Group.

6.1 Contribution

The contribution of this thesis focuses on the importance of competence in corporate logistics. We chose Haier Logistics as a single case company. Integrating the main factors for building corporate competence, logistics services, and innovative ability is more important than running an enterprise to gain profits. This is the first theoretical
contribution. How these main factors function and what advantages to building competence they can achieve are the focuses of this research. Searching the innovative ideas from Haier Logistics’ transformation, this successful case experience is worthy for other logistics enterprises to use as reference. This is the second theoretical contribution.

This thesis has a practical contribution. The interview of relevant personnel from Haier to get information and real evidence to support findings showed that innovative ability plays an important role in Haier Logistics. Whatever the main logistics competencies or achieved competitive advantages, they are linked between the quality of logistics services and the expansion markets that matter, and this contributes to performance.

- Implications to managers

Haier Logistics’ many ideas in management were worth learning. For instance, although most enterprises are amazed at the high proportion of logistics costs in total costs, Haier Logistics is aware of the importance of how to position its own logistics capability to gain competitive advantages instead of considering how to reduce logistics costs. This implies the importance of innovation ability in business. Haier Logistics aims to be creative and dares to realize BPR. In the past, Haier Logistics relied on providing quality delivery services for customers to make a huge market performance, but in the changeable markets, Haier Logistics knew that the invariable business ways will outmode gradually, so they decided to make the competitive advantages focus on the whole process of integrated logistics capabilities, making logistics become a strategic capability in their business, and the facts prove its correctness. This explains why a company should advance with the times and the flexibility in business operation. Most was worth learning for managers, which is Haier’s world brand strategy: “defective products equal wastes” and “selling prestige rather than selling products.”

6.2 Further Study

The theoretical framework could have been done with more research in competence. In this research, choosing a single case as the object of study could give a limited conclusion. Further studies should focus on choosing multiple case companies to research and compare cross-domain interview and survey. Only in this way can we get more and deeper understanding for our findings. This topic will be an interesting research if we have enough time to do it in the future.
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**Interviews**

Mr.Linghu, Guiyang local manger, interviewed 2013-04-18, during half an hour.

Mr.Yang, legal representative of Haier Logistics, interviewed through e-mail.
Appendix

(During interviewed have used in Chinese, here translate to English to easy read. Due to avoid too lengthy narrative, so, extracts the key sentences to narration.)

Interviewed with Mr. Linghu, Guiyang local manager (face to face):

Nice to meet you! Mr. Linghu! Thank you for accepting our interview. I’m very interested in the working process of Haier Logistics, can you answer us a few questions?

Q: Could you introduce the background of Haier Logistics?

Q: And could you describe how Haier Logistics works?

Q: Why Haier wanted to establish its own logistics enterprise at the beginning?

Q: After established, what you think the main factors to build competence of logistic in Haier Logistics?

Q: You mentioned main six factors in last question, could you describe these in detail?

Q: What are the advantages (contributes) of building logistics related core competence of logistics for Haier Logistics?

Interviewed with Mr. Yang (through e-mail):

Q: Hello! We are sorry to trouble you, we are the students of Högskolan i Gävle, Sweden, we choose Haier Logistics as our bachelor thesis case company, we want to collect some information about Haier Logistics company, hope you help us, so could you answer us some questions. We have known about Haier Logistics first, that Haier Logistics through JIT purchasing, JIT distribution and JIT distribution synchronization process, we want to know the reason that Haier adopt these three JIT to build whole logistics system. Then we want to know about Haier Logistics operation system more in-depth, and i) what the core factors to build the core competence of Haier Logistics; and ii) how build logistic competence to contribute Haier Logistics? Hope you reply us as soon as possible, thank you very much!