Managing the relationship between shipper and provider

-----An empirical study of the relationships among the Tianma Group and its providers

Dan Yang  Qiang Geng  Shahnur Islam

Master’s thesis of “Business Process and Supply Chain Management”

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Tutor: Åsa Gustafsson

Examiner: Helena Forslund
Abstract

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**Authors:** Dan Yang, Qiang Geng, Shahnur Islam

**Supervisor:** Helena Forslund

**Tutor:** Åsa Gustafsson

**Title:** Managing the relationship between shipper and provider

------An empirical study of the relationship among the Tianma Group and its providers

**Background:**

Due to increasing pressure to reduce costs, provide better service and expand the logistics requirements, more and more companies are considering outsourcing their logistics to a 3PL. The relationship between shipper and provider (S & P) is very important for the continuation of business for both shippers and providers. The observing of this thesis is based on the situation of the relationships among a case company and its providers. The case company of the thesis is the Tianma Group, which is one of the most popular Fiber Reinforced Plastic (FRP) companies in Chinese market.

**Research Questions:**

How to improve the relationships among the Tianma Group and its providers?

*Sub RQ1:* How can relationships be described and how is the current situation of the relationships among the Tianma Group and its providers?

*Sub RQ2:* Where are the potential improvement areas among the relationships?

*Sub RQ3:* In what ways can the Tianma Group and its providers improve the relationships?
Purpose:
The main purpose of this thesis is to study the relationships among the case company, the Tianma Group and its three main providers and to explore the potential improvement areas of the relationships as well as give reasonable suggestions to those areas for improvement.

Method:
The thesis followed Positivist scientific perspective and it combined Deductive and Qualitative approach. This thesis used case study method and non-probability sampling. The empirical data were collected from the case company, the Tianma Group and its three main providers. The authors used various existing theories in the field of description of S & P relationship, improvement areas, and application of how to improve the relationship for the theoretical presentation.

Conclusions:
The relationships among the Tianma Group and its providers are on different stages of S & P relationships: customized logistics solutions, joint logistics solution and in-house logistics solutions. The potential improvement areas of the relationships among the Tianma Group and its providers are: wise selection of a provider, contract and communication. The relationships among the Tianma Group and its providers can be improved in many ways.

Keywords:
Relationship between shipper and providers, relationship levels, success factors for relationships, wise selection of providers, logistics contract, communication, IMO
Acknowledgement

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We would like to thank our case company the Tianma Group which allowed us to lead a research in the company. We would like to express our gratitude to Ms. Lili Chen (Logistics Manager) and Mr. Xudong Zhou (Sales Manager) who answered us by e-mail and phone calls and without their help the thesis would have not been possible. We would also like to thank General Manager Mr. Guowen Ni from Tiantian-Yinuo Logistics, General Manager Mr. Quanhua Li from Tongyu Logistics and General Manager Mr. Weixing Yuan from Yuhang Transport for answering our questions to get the important inputs for our thesis.

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Växjö, Sweden, the 20th of September 2012

Dan Yang Qiang Geng Shahnur Islam
Abbreviations

FRP---Fiber Reinforced Plastic
S & P---Shipper and Provider
1PL---Self-managed logistics
2PL---Asset-based logistics
3PL---Contractual logistics
4PL---Supply chain management
5PL---E-logistics network
TYL---Tiantian-Yinuo Logistics
YT---Yuhang Transport
TL---Tongyu Logistics
IMO---Instant Messaging Office
CRM---Customer Relationship Management
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I Introduction

The introduction chapter gives an overview of the thesis subject. First, the background of the case company is presented. Then the research background and problem discussion is introduced. Furthermore, the chapter listed research questions of the thesis and the purpose is stated as well. Lastly the chapter division including a figure of the thesis structure is given.

1.1 Case company background

As the cradle of Chinese fiber reinforced plastic (FRP) industry, the Tianma Group, (registered as Changzhou Tianma Group Co. Ltd.) was founded in the year 1960 as a building material plant. The group used to be one of the production units of FRP raw materials and FRP products and now it is a functional enterprise integrated with research and development, production, marketing, personnel training, and information technology services. The Group has become one of the best FRP raw material bases in China with the largest output, the best quality, the most varieties of products, and the most widely product range and it has more than 300 various types of technical personnel, around 30 senior engineers and more than 2100 employees. (www.tm253.com, accessed Mar.16, 2012)

According to the Sales manager Mr. Zhou from the Tianma Group, the company mainly produces FRP products, unsaturated polyester resin, FRP composite materials, geotechnical materials of transportation and construction and so on. Business philosophy of the company is based on creating value for customers, creating opportunities for staff and creating wealth for society, and it fully committed to construct a technical, open, creative and professional enterprise in order to improve itself and the overall image of Chinese FRP industry. The Group adheres to the intensive path of development with high-tech and high-quality product which is the important way for the company to win in the market so far. The company also
established a well-working marketing and after-sales service network, with a stable foundation for the formation of the marketing and service globally wide. (www.tm253.com, accessed Mar.16, 2012)

The structure of the Tianma Group

Figure 1.1 The structure of Changzhou Tianma Group

Source: homepage of the Tianma Group

Cooperation with providers in the Tianma Group

The Tianma Group cooperates with its providers with three different ways:

1. Long-distance dedicated line of consolidation: in some areas, the total volume of order is relatively large but fragmented to many small customers; the company has long-term cooperation with dedicated lines.

2. Long-distance fulfilled vehicle: for the customer who always orders for one full shipment every time, the company cooperates with several logistics companies for delivery which can be a dedicated line or other stable individual transportation
3. Short-distance individual shipment: the company has long-term cooperation with the individual transport operators which is always available, quick and easy. (Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012)

1.2 Research background

Companies have difficulties in managing their logistics in the new economy due to the complex nature of operations. There are different types of logistics operations that include: self-managed logistics (1PL); asset-based logistics (2PL); contractual logistics (3PL); supply chain management (4PL); and e-logistics network (5PL) (Gunasekaran, 2002). According to Gunasekaran (2002), logistics, similar to manufacturing, requires decision making at different levels such as strategic, tactical and operational. This thesis will only focus on the 2PL and 3PL because the case company does not have own transportation department like 1PL and it is using these two providers. A 2PL can be seen as a commodity capacity, such as a trucking company or a warehouse operator (Vasiliauskas & Jakubauskas, 2007). These firms provide service for a single or a small number of functions in the supply chain. According to Jonsson (2008), a 3PL refers to a firm that provides multiple logistics services like, transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding for use by customers. 3PLs facilitate the movement of parts and materials from suppliers to manufacturers, and finished goods from manufacturers to distributors and retailers (Jonsson, 2008).

Due to increasing pressure to reduce costs, provide better service and expand the logistics requirements, more and more companies are considering outsourcing their logistics to a 3PL (Sum, et al., 2001). Studies have demonstrated that the use of 3PLs may reduce inventory and lead times, improve customer service, and capture
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The Tianma Group is a prominent group of company in the Chinese market. They have variety and wide range of product in their product portfolio. The observing of this thesis is based on the situation of the relationships among the Tianma Group and its providers. According to the Sales Manager Mr. Zhou, sometimes they give the option to the customers to pick the delivery as soon as products are ready to outbound. Basically, according to Manager Ms. Chen from Logistics department of the Tianma Group, the outbound logistics of the Tianma Group can be divided into two parts: almost 95% of the products deliveries are outsourced to some third party logistics companies and the rest 5% will be picked up by customers themselves. Bhatnagar et al., (1999 cited in Gunasekaran, 2002) said logistics is a key factor in organizational competitiveness.

One company has insufficient capabilities and resources to successfully complete by itself, so that the cooperation between a company and providers can be very much beneficial. In nowadays, companies need to perform better because of increasingly demanding customers. Through collaboration, companies can combine their strengths, share risks and rewards, and inventorially achieve higher performance (Hofenk, et al., 2011). One of the benefits of using providers results from economies of scale (merits from large truck fleets, warehouses, etc.) and economies of scope, which helps companies to reduce costs and increase net value as well (Vasiliauskas & Jakubauskas, 2007). However, one can only manage the performance within the company. “It should not be necessary to manage the operation of the provider, but the relationship must be managed by knowledgeable, thoughtful client representatives”. (Lynch, 2000, p197). The nature of the relationship between S & P has experienced dramatic change over the last decade (Makukha & Gray, 2004). As a result, the relationship between shipper and provider (S & P) is rather important.
1.3 Problem discussion

In the FRP industry, there is one very important issue that is the fatalness because some of the raw material products are flammable liquid which means that the transportation of these products can be very dangerous. According to the Sales Manager Mr. Zhou of the Tianma Group, it is very common that a customer orders both normal products, and flammable and dangerous products. Some providers will carry some flammable and dangerous products secretly with normal products in one shipment in order to reduce cost or time which can lead to problems afterwards. As a result, the selection of qualified operators and the management of providers turn out to be rather important.

Providers can also be called as contract logistics due to normally, the service and cooperation way of logistics industry is based on the enterprises signed contract for a certain period of time (Dong & Liu, 2009). Providers consider themselves that logistics lies not in the investment and construction of infrastructure, but the construction of the network and information exchange, so they can also sign a contract and outsource a variety of warehousing, transportation and simple processing to other companies in order to ensure the provision of logistics services for the shippers (Dong & Ji, 2009). In the logistics marketing and service work, the contract is the most important legal texts which determine the most important rights and obligations between the S & P. In practice, contracts can be seen as the finalized business development results, the performance basis of business implementation process and the main basis to resolve business disputes (Zhang, 2005). When signing of the contract, any gaps and omissions will give logistics activities negative impacts.

According to Lynch (2000), communication on all aspects of the logistics arrangement must be frequent and two-way. According to the Logistics manager Ms. Chen of the Tianma Group, the management of the relationships with providers of the
company is in a situation of handling after problems have occurred. Sometimes, customers of the Tianma group will complain about damaged or missing products and not timely delivery. So there is communication issue among the Tianma Group and its providers.

A study concerned the competencies of relationships concluded that new competencies in the relationship between S & P are developed (Halldórosson & Skjøtt-Larsen, 2004). Providers are increasingly influential in the context of supply chains in the context of supply chain management (Panayides & So, 2005). Panayides and So (2005) also marked out that in order to understand the business and assist partner in improving the supply chain process, it requires a close understanding and collaboration with their shippers. It will lead to an improvement in the performance of the supply chain if providers have a closer relationship with their shippers. According to Rajesh et al (2011), it has been acknowledged in the literature that having close relationships with providers could be a beneficial strategy for both S & P companies. In order to achieve higher levels of operational and financial performance, shippers should be embedded in close relationships with providers (Rajesh, et al., 2011). At the same time, providers can also benefit from engaging in these relationships such as: generate higher levels of customer satisfaction, customer retention and attracts to new customers.

According to some survey about the top 100 in European transport logistics services, the traditional transportation market has faced a dramatic slowdown in recent years, marked by stagnating or shrinking volumes (Halldórosson & Skjøtt-Larsen, 2004). As a result, in order to achieve a higher degree of customer orientation and offer more complicated and customer-specific services, a provider needs to focus on a strategic reorientation towards differentiation as well as encourage service innovation (Panayides, 2004).
There is no doubt that the outcome of provider shows omnibus results. However, it is concluded that the shortages and problems have received less attention because some realized benefits of provider are well documented (Lambert, et al., 1999). A survey showed that a significant proportion of the respondents indicated that they had to modify their logistics arrangements and take previously outsourced functions back in-house (Gadde & Hulthén, 2009). Gadde and Hulthén (2009) point out that the problems of having these consequences are poor service performance.

In practice, Min, et al. (2005) concluded that few firms actually cooperate on a level which goes deep enough to achieve a both effective and efficient supply chain. It seems to have a great potential in supply chain collaboration, but further investigation is needed to understand the practical value of the collaboration (Min, et al., 2005). There have been many studies investigating success factors for S & P relationships.

To conclude, it is well understood that managing the relationship of S & P is one of the most important issues for an organization. The providers are beneficial or not can make huge difference to the operation of the organization. As a result, in this thesis study, the topic of how to improve the relationships among the case company and its providers is addressed.

### 1.4 Research questions

The main research question of this thesis is as follows:

*How to improve the relationships among the Tianma Group and its providers?*

In order to answer the main research question, the authors will have to understand the current situation of the relationships among the Tianma Group and its providers. The authors will also need to know what problems they are facing, what the potential
improvement areas are, what can be done to improve the relationship. As a result, this thesis has three sub research questions:

Sub RQ1: *How can relationships be described and how is the current situation of the relationships among the Tianma Group and its providers?*

Sub RQ2: *Where are the potential improvement areas among the relationships?*

Sub RQ3: *In what ways can the Tianma Group and its providers improve the relationships?*

1.5 Purposes

The main purpose of this thesis is to study the relationships among the case company, the Tianma Group and its providers (mainly three providers which will be introduced later on) and to explore the potential improvement areas, as well as give reasonable suggestions to those areas for improvement.

1.6 Chapter division of the thesis

The following figure 1.2 is the chapter division of the whole thesis.

Source: own creation
Ch.1 Introduction

Ch.2 Methodology

Ch.3 Sub RQ1 Description of relationship

Ch.4 Sub RQ2 Potential Improvement Areas

Ch.5 Sub RQ3 Improvement suggestions

Ch.6 Conclusion

Main RQ How to manage the relationships

Theory

Empirical

Analysis

Selection

Contract

Communication

Theory

Empirical

Analysis
2 Methodology

This chapter encompasses and describes the scientific methodology in the thesis. It outlines the scientific perspective, scientific approach, research method, data collection, analysis method and scientific credibility. At the end, this chapter summarizes the overall methodology for this thesis.

2.1 Scientific perspective

There are two common ways of how a research can be studied for researchers: Positivism (natural science position) or Hermeneutics (social science position) (Remenyi, et al., 1998)

2.1.1 Positivism

According to Cohen et al (2003), the concept of Positivism relates to natural science and this term is widely used by social scientists and philosophers. This concept consists of two ideas: first, it is methodological procedure which can be directly applied to the social sciences; second, the analysis must be expressed in laws or generalizations that have been established related to natural phenomena (Cohen, et al., 2003). Bryman & Bell (2011) defined Positivism as an epistemological position which advocates the application of the methods of the natural sciences to the study of social reality and beyond. Bryman & Bell (2011) give a view of: the doctrine of Positivism is used in a number of ways by authors therefore it is extremely difficult to define and outline in a precise manner.

“For some writers, it is a descriptive category-one that describe a philosophical position that can be discerned in research –though there are still disagreements about what it comprises; for others it is a pejorative term used to describe crude and often superficial data collection.” (Bryman & Bell, 2011, p.15)
2.1.2 Hermeneutics

Bryman and Bell (2011) defined Hermeneutics as a term drawn from theology that is concerned with the theory and method of human action interpretation when imported into the social sciences. Hermeneutics emphasizes the need to understand from the perspective of the social actor (Bryman & Bell, 2011). According to Neuman (2003), Hermeneutics is an approach which enables people to see the deeper meanings contained within it when it was originally used to study a written text both in detail and as a whole. This approach is a method which was expended in interpretative social science for developing a better understanding of events in the social world (Neuman, 2003).

“Hermeneutics refers to an approach that was originally devised in relation to the understanding or interpretation of texts, and of theological texts in particular.”

(Bryman & Bell, 2011, p.563)

2.1.3 Scientific perspective of this thesis

The scientific perspective of this thesis is the Positivism perspective. The authors use various existing theories in the field of description of S & P relationship, improvement areas, application of how to improve the relationship, to create the theoretical framework for the empirical findings and analysis. The authors found empirical information based on the theories, matched the theories with practice and advocated the application of methods and theories. As for this, the writing is descriptive type with superficially collected data. Based on the theoretical framework and useful empirical data and information, this thesis answers the research question and gives recommendations for the case company.
2.2 Scientific approach

There are two different scientific approaches in research practices: inductive method and deductive method (Bonoma, 1985). Ghauri & Grønhaug (2005) mentioned that without any prejudice, a researcher observes and faithfully records what is seen. As a result, some of these statements of observation turned out to be true and people serve them as the basis for theories and laws (Ghauri & Grønhaug, 2005). The two ways of establishing what is true or false and to draw conclusions is: induction (based on empirical evidence) and deduction (based on logic) (Ghauri & Grønhaug, 2005).

2.2.1 Induction

According to Ghauri & Grønhaug (2005), in the process of research, method begins with the ideas and facts that lead to proposition, theories and prediction and new theories and predictions lead new ideas and facts. When utilizing observed facts in generating a theory that is consists with these facts, it is induction (Ghauri & Grønhaug, 2005). In the other words, induction is the first step in scientific method because it is the process of observing facts to generate a theory (Ghauri & Grønhaug, 2005). Ghauri & Grønhaug (2005) also concluded that while doing research, after observing the relationship between different variables of study, researchers formulate proposition.

“Most researchers in business studies go through this method, observing the facts that lead them to propositions and later on to theories.” (Ghauri & Grønhaug, 2005, pp.16)
2.2.2 Deduction

On the other hand, Ghauri & Grønhaug (2005) defined that deduction means we look at the consequences of a theory. A group of studies believe that entire research process is initiated by theories.

“Deduction involves the gathering of facts to confirm or disprove hypothesized relationship among variables that have been deduced from existing knowledge.” (Ghauri & Grønhaug, 2005, p.16)

<table>
<thead>
<tr>
<th>Induction</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systematic process</td>
<td>Logical process</td>
</tr>
<tr>
<td>Establishment of a general proposition</td>
<td>Draw a conclusion</td>
</tr>
<tr>
<td>On the basis of observation or particular facts</td>
<td>From known premises or something known as true</td>
</tr>
</tbody>
</table>

Source: (Ghauri & Grønhaug, 2005, p.16)

2.2.3 Scientific approach for this thesis

This thesis work is towards deductive approach. The authors gathered the facts and events of the case company and its providers related to the chosen topic. The authors tried to match the theories with practice in order to improve the situation or even may solve the problems or difficulties the company is facing by giving suggestions. For all the empirical data and information, the authors listened to what all the five interviewers (Logistics Manager Ms. Lili Chen and Sales Manager Mr. Xudong Zhou from the Tianma Group, General Manager Mr. Guowen Ni from Tiantian-Yinuo Logistics, General Manager Mr. Quanhua Li from Tongyu Logistics and General Manager Mr. Weixing Yuan from Yuhang Transport) said and did not make interpret
to that; instead, looked into it. In order to build up the most appropriate methods and recommendations to improve the relationships among the Tianma Group and its providers, the thesis has to go through various relevant theories in the field of description of S & P relationship, improvement areas, and application of how to improve the relationship.

2.3 Research method

There are two research methods given in the literature which are quantitative and qualitative research methods.

2.3.1 Quantitative research

Quantitative research usually emphasis the quantification in the collection and analyzing of data. As a research strategy it is deductive, objective, and incorporates a natural science model of the research process (in particular, one influence by positivism). But quantitative researchers do not always include all these three features similar like the qualitative researcher (Bryman & Bell, 2011).

2.3.2 Qualitative research

Qualitative research usually emphasizes words rather than quantification in the collection and analysis of data. As a research strategy it is inductive, constructive and interpretative. But qualitative researchers do not always include all these three features similar like the quantitative researcher (Bryman & Bell, 2011).
### Table 2.2 Quantitative research vs. Qualitative research

<table>
<thead>
<tr>
<th><strong>Quantitative research</strong></th>
<th><strong>Qualitative research</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Test hypothesis that the researcher begins with.</td>
<td>Capture and discover meaning once the researcher becomes immersed in the data.</td>
</tr>
<tr>
<td>Concepts are in the form of distinct variables.</td>
<td>Concepts are in the form of themes, motifs, generalizations, and taxonomies.</td>
</tr>
<tr>
<td>Measures are systematically created before data collection and are standardized.</td>
<td>Measures are created in an ad hoc manner and are often specific to the individual setting or researcher.</td>
</tr>
<tr>
<td>Data are in the form of numbers from precise measurement.</td>
<td>Data are in the form of words and images from documents, observations, and transcripts.</td>
</tr>
<tr>
<td>Theory is largely causal and is deductive.</td>
<td>Theory can be causal or noncausal and is often inductive.</td>
</tr>
<tr>
<td>Procedures are standard, and replication is assumed.</td>
<td>Research procedures are particular, and replication is very rare.</td>
</tr>
<tr>
<td>Analysis proceeds by using statistics, tables, or charts and discussing how what they show relates to hypotheses.</td>
<td>Analysis proceeds by extracting themes or generalizations from evidence and organizing data to present a coherent, consistent picture.</td>
</tr>
</tbody>
</table>

Source: (Neuman, 2003, p145)

### 2.3.3 Research method for this thesis

This thesis is towards Qualitative approach. The authors emphasized the words about the current situation of relationship. This thesis does not have much numeric data. This thesis is based on the company’s experience, data, performance and processes as well as relevant theories from different literatures. All the empirical data concerning provider and the relationship between S & P in the case company are provided by the five interviewers. The research questions of this thesis, structure of this thesis, selection of theories and literatures are all based on the materials and information form the interview with Logistics Manager Ms. Lili Chen and Sales Manager Mr. Xudong Zhou from the Tianma Group, General Manager Mr. Guowen Ni from
2.3.4 Theory of Case study

Bryman and Bell (2011) defined case study as a research design that entails the detailed and intensive analysis of a single case. The term is sometimes extended to include the study of just two or three cases for comparative purposes. A case can be:

- A single organization such as a research of organization culture at a specific company
- A single location such as a production site
- A person by using the life history or biographical approach
- A single event which happened around a researcher (Bryman & Bell, 2011)

"With a case study, the case is an object of interest in its own right, and the researcher aims to provide an in-depth elucidation of it.” (Bryman & Bell, 2011, p.60)

Bryman & Bell (2011) concluded that there are different types of case: critical case, unique case, revelatory case, representative case and longitudinal case. There are five main types of case study: descriptive, illustrative, explorative, cumulative and critical case studies (Yin, 2003). Descriptive type of case study demands only a low level of analytic activity but it can offer plenty opinions into the social world of a specific case (Yin, 2012). According to Yin (2012), in explorative type of case study, data collection is undertaken before the final definition of research questions or specific methodological processes.
2.3.5 Case study for this thesis

This thesis uses case study method. The Tianma Group is chosen to be the case for this study which is a single organization. The aim of this thesis is to answer the “how” research question which have been formed in order to investigate the improvement possibilities in the management of the relationships among the Tianma Group and its providers (mainly three: Tiantian-Yinuo, Tongyu Logistics and Yuhang Transport)). This thesis tends to be more of explorative type to address the research question. Meanwhile, descriptive type of research will be used when reflecting the current situation of the management of the relationship between S & P in the company. In order to present reliable results, the authors believe that only when the thesis combines these two methods in the paper, as long as it is relevant, whether it is descriptive or explorative type, the research can be able to ensure the best and realistic outcomes.

2.3.6 Theory of Sampling

According to Kothari (2004), there are two different types of sample designs: probability sampling (random selection) or non-probability sampling (non-random sampling). Probability sampling is also known as ‘random sampling’ or ‘chance sampling’ which means that in this sampling design, everything from the universe has an equal chance to be selected as a sample (Kothari, 2004). “Non-probability sampling is that sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample.” (Kothari, 2004, p59)

There are different types of Probability sampling which are as follows (Ghauri & Grønhaug, 2005): Simple Random Sampling, Systematic Random Sampling and
Stratified Random Sampling. Non-probability samplings are as follows: Quota Sampling, Judgment Sampling and Convenience Sampling.

2.3.7 Sampling for this thesis

For this thesis, the authors have selected non-probability sampling to study the research questions. The authors have selected the Tianma Group. This company is outsourcing logistics activities. There are many providers involved and the authors selected the three most important providers of the company who are playing very active role in the relationship with the Tianma Group which are: Tiantian-Yinuo Logistics, Tongyu Logistics and Yuhang Transport. These three providers have been selected for interviews to respond the questions listed in the appendix.

2.4 Data collection

2.4.1 Theory of data collection

Primary data refers to the data and information that collected by the researchers when contributing a study or research. Primary data can be collected by using observation and interviews (Saunders, et al., 2009). According to Saunders, et al. (2009), interview is a purposeful discussion between two or more people which can be very useful for gathering valid and reliable data that are relevant to the research questions and objectives.

There are different types of interviews: structured interviews, semi-structured interviews, unstructured or in-depth interviews, and standardized interviews, non-standardize interviews, respondent interviews and informant interviews. The links of interviews to the purpose of research and research strategy can be found from
Secondary data means the data and information are collected from books, literatures or any other kinds of materials that contributed by other previous researchers.

“When first considering how to answer their research questions or meet their objectives, few of our students consider initially the possibility of reanalyzing data that have already been collected for some other purpose. Such data are known as secondary data.” (Saunders, et al., 2009, p.256)

Ghauri & Grønhaug (2005) concluded that secondary data are not only to find useful information to solve research problems, but also to better understand and explain research problems. Secondary data include books, journal articles, online data sources such as webpages of firms, governments, organizations and catalogues (Ghauri & Grønhaug, 2005).

### 2.4.2 Data collection for this thesis

In this thesis, most empirical data were collected from the case company, the Tianma
Group and its providers. The interview type of this thesis is semi-structured interviews which mean that the authors have a list of themes and questions that are vary from interview to interview (Saunders, et al., 2009). The order of questions is varied depending on the flow of the communication with the interviewees. The authors used e-mail, telephone and on-line chatting interview with the five interviewers. General information about the company and its products were collected from the company’s website. Secondary data, such as theories concerned with methodology, description of S & P relationship, improvement areas, and application of how to improve the relationship were obtained from literatures, scientific books and articles, and journals. Most of these were encountered in Linnaeus University’s library, or using LNU’s database or other search engines, such as Business Source Premier, Google Scholar and so on.

2.5 Analysis methods

2.5.1 Theory of analysis method

Data analysis is a very important part of a thesis because researchers will summarize and conclude what they collected for the whole thesis. Ghauri & Gronhaug (2005) said that in order to analyze data and get the useful information from it, researchers should first do the data reduction, data display and conclusion drawing. The data analysis procedure will be conducted and organized from the beginning of raw material to the interpretation of the meanings of themes and descriptions (Creswell, 2009). According to Saunders, et al. (2009), there are different types of qualitative analysis processes: summarizing (condensation) of meanings; categorization (grouping) of meanings; and structuring (ordering) of meanings using narrative.
2.5.2 Analysis method for this thesis

The analysis of the thesis is based on the open-ended data been collected as well as the interviews over the whole writing period. It is conducted according to the processes and types described above: summarizing (condensation) of meanings; categorization (grouping) of meanings; and structuring (ordering) of meanings using narrative. After all these processes, from the analysis of the collected data, conclusions and recommendations are made.

2.6 Scientific credibility

2.6.1 Validity

Validity refers to that to what extent the data collection method or methods accurately measure what they were intended to measure (Saunders, et al., 2009). It may also refer to the extent to which research findings are really about something. Saunders, et al. (2009) divided Validity into construct validity, criterion related validity, ecological validity, face validity, internal validity, measurement validity, and predictive validity.

According to Bryman & Bell (2011) defined that Validity refers to the issue of whether an indicator or a set of indicators is appropriate or not, vital is really measures the targeted thing. There are several ways of establishing the validity: face validity, concurrent validity, and predictive validity, construct validity and convergent validity (Bryman & Bell, 2011).

Face validity: is the very minimum that is the measure apparently reflects the concept and content of the question.

Concurrent validity: researchers put the criteria to measure targeted thing.

Predictive validity: researchers predict the future criteria to measure.
Construct validity: researchers encouraged to build a measure.

2.6.2 Reliability

Saunders, et al. (2009) defined Reliability as the extent that data collection techniques will generate unanimous conclusion or findings, similar observations would be made or how much openness was made from the raw material.

Neuman (2003) said that Reliability means dependability. It refers that numerical results produced by an indicator do not vary due to characteristics of measurement process or measurement instrument itself. There are three different types of reliability: Stability Reliability, Representative Reliability, and Equivalence Reliability (Neuman, 2003).

- **Stability Reliability** is reliability across time: address the question if it measured in different time period.
- **Representative Reliability** is reliability across subpopulation or groups of people. It addresses the question: if measurement delivers the same answer when applied to different groups.
- **Equivalence Reliability** is applicable when researchers use multiple indicators. It addresses the question: if the measure generates same results across different measurements.

2.6.3 Scientific Credibility of this thesis

All the information given by the company can be considered to be no mistake which can be judged as a proof of validity of the thesis. This thesis has *face validity* as the measurement and analysis apparently reflects the concept and content of the research question. A broad range of literatures such as books, scientific articles and journals...
were used when necessary.

To acquire desirable level of reliability of the research in this thesis, the authors have to make lots of efforts to get the desired data from the case company and its providers. The information was collected from five interviewers from both case company’s side and providers’ side. This thesis has stability reliability because things are not going to change over a short time period. The research question of this thesis aims at solving the existing problems faced by the company regarding the relationships now.

2.7 Summary of Research Methodology for this thesis

The following figure 2.2 presents a summary overview of research methodology for this thesis.
<table>
<thead>
<tr>
<th>Scientific Perspective</th>
<th>Positivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific Approach</td>
<td>Deductive</td>
</tr>
<tr>
<td>Research Method</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Case Study</td>
<td>Descriptive &amp; Explorative</td>
</tr>
<tr>
<td>Sampling</td>
<td>Non-probability sampling</td>
</tr>
<tr>
<td>Data Collection</td>
<td>Primary &amp; Secondary</td>
</tr>
<tr>
<td>Analysis Method</td>
<td>Summarizing, categorization, and structuring</td>
</tr>
<tr>
<td>Scientific Credibility</td>
<td>Validity &amp; Reliability</td>
</tr>
</tbody>
</table>

Figure 2.2 Overall research methodologies for the thesis

Source: own creation
3 Description of the relationship

This chapter introduces the theories concerned with how to describe the relationship followed by the empirical findings the authors got from the case company and its providers. At last, this chapter is finished with the analysis and combination of the theory and empirical findings.

3.1 Theory framework

A provider can be seen as intermediary for a shipper and its customers and it is the link between commodity producers and commodity sales. A provider is also the major party who undertakes logistics circulation (Liu, 2008). Both S & P should have much input when cooperation with each other. At the same time, shippers and their providers have demand of further development and expand in cooperation areas. Therefore, the two sides need to establish a good and long term relationship in order to achieve a “win-win” situation.

“A partnership is an association with another entity in a joint endeavor, where both parties have joint interests, joint risks, and rewards.” (Bendor-Samuel, 1991, p1). A study placed that the relationship between S & P of logistics functions is on a continuous scale from single transactions to integrated service agreements. In Halldórsson & Skjøtt-Larsen’ study (2004); they adapted Cox’s typology theory from the article “Relational competence and strategic procurement management” to propose different levels of S & P relationships which can be seen in the figure below.
As can be seen in the figure above, the judgments of being in different levels of relationships include: competence, asset specificity and the degree of integration.

Increasing competence and skills from a standard level to a complementary level and then comes to the core skills, makes the differences between providers and which leads to different levels of S & P relationships. Competence of the provider means a provider has: the flexibility in the use of new technology in order to reduce cost; the ability to reduce investment in fixed assets to accelerate the turnover of capital; and the competence of providing flexible services to create more value for shippers (Liu, 2008). According to Cox (1996), core competences/skills are the skills that ensure a firm to sustain a position in a market and these skills are never ‘sunk cost’.

Low, medium and high degree of integration refers to the levels of supply chain integration. Integration of supply chain means the degree of strategic cooperation between the enterprise and its supply chain partners. In detail, integration of supply chain refers to: through the coordination and management of business processes.
within and between the organization, to achieve effective and efficient management of goods flow, information flow, cash flow, value stream and business processes flow (Jonsson, 2008). The goal of supply chain integration: to provide maximum value to customers at a low cost and high speed (Zhang, 2005).

Cox (1996) defined **asset specificity** as “in relation to whether or not the specific skills or knowledge of the organization contribute to the maintenance or creation of sustainable positions for profit within specific supply and value chains” (Cox, 1996, p61). **High asset specificity** means that a firm’s core competences are skills and expertise which makes the firm in sustaining the position in order to make profit in a market (Cox, 1996). According to Cox (1996), **Medium asset specificity** can be judged as complementary skills or expertise being potentially importance to the sustainability of a firm rather than core competences of the firm. However, when a firm outsources some expertise or skills which are not keys to success to those firms that are most competitive in the market, it means that the firm is having **Low asset specificity** (Cox, 1996).

At the lowest level of collaboration, **Market Exchanges**, the shippers who buy transport and logistics services on the “spot market” which means the relations between S & P are short-term. The focus of the relationship on this level is the business prices which lead to that the providers have **low asset specificity** and the services offered by the providers towards to **a standard levels**. (Halldórsson & Skjøtt-Larsen, 2004)

At the next level, **Customized logistics solutions** means that the provider offers a broad range of standard services and allows the shipper to select a “package” of modules. Compare to the first level of the relationship, the asset specificity and the services offered by provider are a little bit higher in this level but still can easily be adjusted to other clients (Halldórsson & Skjøtt-Larsen, 2004). According to
Halldórsson and Skjøtt-Larsen (2004), on this level of relationship between S & P, information sharing and joint problem solutions are limited. For the customer’s specific requirements, the provider can only have minor adjustments.

When it comes to the third level, the shipper and the provider Jointly establish a logistics solution which is unique for the specified S & P relationship in the joint logistics solutions. Halldórsson and Skjøtt-Larsen (2004) pointed out that both the S & P view the collaboration at this level as a win-win relationship which means that they have long-term expectations and are willing to share information and solve problems jointly. At the same time, the asset specificity increased for example, human assets and physical assets. The biggest difference between the third level and the two previous levels is that the providers have innovation capabilities and development of new competencies. (Halldórsson & Skjøtt-Larsen, 2004)

The fourth level is In-house logistics solutions. At this level, logistics is seen as a core skill in the company and the asset specificity is normally high. According to Halldórsson and Skjøtt-Larsen (2004) this level of relationship accordance with both the transaction costs theory and competence theory. However, the figure showed below illustrates various forms of logistics solutions that are contingent on the nature of competence and degree of asset specificity which means in-house solutions is not the final stage (Halldórsson & Skjøtt-Larsen, 2004).

A relationship of S & P may have the following characteristics:
-Long-term commitment
-Co-operative continuous improvement on cost reduction or service differentiation
-Full integration at the strategic level with joint planning teams
-A provider is treated as a part of a shipper’s extended enterprise
-A provider designs, develops and executes a shipper’s logistics strategy and systems
- A provider manages operational, tactical and strategic supply chain activities and decisions (Makukha & Gray, 2004)
3.2 Empirical findings

The following table is the brief information of the most important providers of the Tianma Group.

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Areas</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiantian-Yinuo Logistics (TYL)</td>
<td>Qingdao Province</td>
<td>Self-provided vehicles</td>
</tr>
<tr>
<td></td>
<td>Hunan and Hubei Provinces</td>
<td>Contract vehicles</td>
</tr>
<tr>
<td>Tongyu Logistics (TL)</td>
<td>Zhejiang Province</td>
<td>Self-provided vehicles</td>
</tr>
<tr>
<td>Yuhang Transport (YT)</td>
<td>Henan Province</td>
<td>Contract vehicles</td>
</tr>
</tbody>
</table>

Source: Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012

Logistics Manager Ms. Chen of the Tianma Group concluded the overall view of the three providers:

**Tiantian-Yinuo Logistics (TYL):** the Tianma Group is more satisfied with the services by self-provided vehicles for the dedicated line of Qiangdao Province than the services by contract vehicles for the dedicated line of Hunan and Hubei provinces. One of the most impressive advantages for TYL is that the speed of handling the damage during delivery is quick and efficient.

**Tongyu Logistics (TL):** the Tianma Group is quite satisfied with TL because it owns a number of self-provided vehicles and basically the delivery services provided by self-provided vehicles are qualified and effective.

**Yuhang Transport (YT):** In Henan Province, there are a few relatively large customers of the Tianma Group for example, Yutong Vehicles. They require all the
delivery to be absolutely safe and timely. The Tianma Group thinks that YT can basically meet the requirements.

Logistics Manager Ms. Chen (Interview, 2012) concludes that the Tianma Group views providers as the main carriers in the supply chain that undertaken the products from the production factory to customers. It is an important link for the management of goods and information flow in order to manage the supply chain as a whole. If all the providers can manage the delivery very effectively, the Tianma Group is able to reduce inventory of raw materials and finished goods. With the stable cooperation relations with providers, the Tianma Group thereby can increase the utilization of funds. Logistics Manager Ms. Chen thinks that stable, secure, and timely completion of outbound transport operations will shorten the internal processes of the Tianma Group. In addition to improve operational efficiency, efficient delivery can enhance the ability to respond to market changes, thereby enhancing the competitiveness of enterprises. (Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012)

According to the General Manager Mr. Ni (Interview, 2012) from TYL, generally, the relationship between TYL and the Tianma Group is in a good situation. TYL places itself as a partner to the Tianma Group and tends to continue to improve the quality of transport services because TYL understands that the service quality it providers represents the service of the Tianma Group (Interview, Mr. Ni, General Manager, TYL, 2012).

TL has been cooperated with the Tianma Group for more than 15 years and according to General Manager Mr. Li, the relationship between TL and the Tianma Group is good and nice. From TL’s point of view, it plays an important role for the Tianma Group’s entire supply chain integration because it creates both tangible (make the products of the Tianma Group useable for the Tianma’s customers) and intangible value (the continuation of the Tianma Group’s services with quick speed) for the
Tianma Group. (Interview, Mr. Li, General Manager, TL, 2012)

“Generally, our company has good relationship with the Tianma Group which can lead to a double win situation.” said General Manager Mr. Yuan from YT (Interview, 2012). According to General Manager Mr. Yuan (Interview, 2012), YT plays a role of increasing the visibility and credibility and overall value of the Tianma Group. YT measures the integrity and loyalty of the Tianma Group by looking into the performances accordance with the contract.

Logistics Manager Ms. Chen made an analysis regarding the overall competence of the chosen three providers on the basis of working experience and data selection. She set up the level of the three judgments: competence (standard skills, complementary skills, and core skills); degree of integration (low, medium, and high); and asset specificity (low, medium, and high) from 1-10 points and marked the points of the three providers state. The following table is the summary of her analysis:

<table>
<thead>
<tr>
<th>Judgments</th>
<th>TYL</th>
<th>TL</th>
<th>YT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>Medium (5~7)</td>
<td>High (8~9)</td>
<td>Low (3~5)</td>
</tr>
<tr>
<td>Degree of integration</td>
<td>Medium (4~6)</td>
<td>High (6~8)</td>
<td>Low (3~5)</td>
</tr>
<tr>
<td>Asset specificity</td>
<td>Medium (5~7)</td>
<td>High (6~8)</td>
<td>Low (3~5)</td>
</tr>
</tbody>
</table>

Source: Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012
Combing the theory and empirical findings, we come to the analysis part of this chapter. In this part, we are going to answer the first research question: describe the relationships among the Tianma Group and its providers (the current situation). As mentioned before, there are four different levels of S & P relationships: market exchange, customized logistics solutions, joint logistics solutions and in-house logistics solutions. The judgments of being in different levels of relationships include: competence, asset specificity and the degree of integration.

According to the interview with Ms. Chen, Logistics Manager from the Tianma Group, the relationships among the company and its providers are mostly bound by long-term contracts which last for one year, which means that it cannot be a coincidence or random selection in a spot market. The Tianma Group requires high quality services from providers and it cares a lot about the competence of its providers. As a result, the relationship among the Tianma Group is beyond the first level of the relationships.

![Figure 3.2 Market Exchange Level](source: own creation)

Based on the concept of the second level of the relationships, the customized logistics solutions level, the asset specificity and the services offered by the Tianma Group’s providers are a little bit higher in this level but still can easily be adjusted to other
clients. As mentioned in the introduction, information sharing and joint problem solutions among the Tianma Group and its providers are limited. In addition, for the customer’s specific requirements, the provider can only have minor adjustments. As a result, the relationships among the Tianma Group could be in this level.

![Figure 3.3 Customized Logistics Solutions Level](source: own creation)

Both the Tianma Group and its providers view the collaboration as a win-win relationship which means that they have long-term expectations and are willing to share information and solve problems jointly. As mentioned before, the contracts for all the providers are one year valid with tariffs confirmed by both parties. The Tianma Group hopes to build long-term cooperation with providers because in this way, providers could have a better understanding of the Tianma Group’s customers and much more familiar with their customers’ preference of delivery. Moreover, the Tianma Group’s providers have innovation capabilities and development of new competencies which accord with the concept of the third level of the relationships.
All the chosen three main providers of the Tianma Group have self-provided vehicles and dedicated lines for different provinces all over China. For one of the providers, TL, logistics is seen as a core skill in the company and the asset specificity is relatively high. Meanwhile, the Tianma Group is satisfied with most of the services provided by the chosen three providers with self-provided vehicles which leads to that the relationships among the Tianma Group and its providers can be on the forth level: in-house logistics solutions.
According to the characteristics of the S & P relationship listed by Makukha & Gray (2004) and the information from the Tianma Group and its three main providers, we have the following comments: all the three relationships have the characteristics of having long-term commitment and providers are treated as part of the shipper’s extended enterprises. In addition, the Tianma Group and its providers are co-operatively continuous improving cost-reduction or service differentiation.

According to the Logistics Manager Ms. Chen, the three chosen providers have different levels of the competence, degree of integration and the asset specificity. We used the table 3.2 and illustrated the following figure.

![Figure 3.6 The levels of the three chosen providers](image)

Source: own creation based on (Halldórsson & Skjøtt-Larsen, 2004)

Based on the above figures, we come to the conclusion of this chapter. In conclusion, the overall relationships among the Tianma Group and its providers can be judged on
different stages of the levels of S & P relationships: *customized logistics solutions* which refers that the provider offers a broad range of standard services and allows the shipper to select a “package” of modules; the shipper and the provider *jointly establish a logistics solution* which is unique for the specified S & P relationship; and the *in-house logistics solutions* which means that logistics can be seen as the core skill in the providers.

Since now we have identified and described the relationships among the Tianma Group and its providers, we will come to the second research question. For the next chapter, we will try to illustrate the problems the Tianma Group and its providers are facing in the relationships. We will compare the current situation of the relationships to the success factors for a good relationship and then point out the potential improvement areas of the relationships among the Tianma Group and its providers.
4 Potential improvement areas

In this chapter, the second research question is answered. First part of this chapter is the theory framework which concludes some important success factors of the relationships between S & P. According to the empirical findings the authors got form the Tianma Group and its providers afterwards; the chapter pointed out the potential improvement areas of the relationship due to the lack of the success factors described in the theory framework.

4.1 Theory framework

There are many studies investigating success factors for S & P partnerships and how to build a better relationship between S & P (Selviaridis & Spring, 2007). Here in this part of the chapter, the authors tend to go through success factors for S & P relationship (possible elements of building successful relationships between S & P). These factors will be the basement and foundation of the chapter. The lack of the success factors conduct to be the improvement areas of the relationships among the Tianma Group and its providers.

Wise Selection of a provider

For the starting point of a successful relationship between S & P, it is important to select the provider who has the ability to provide better services because a firm may suffer from economic loses if the firm cannot select reliable providers (Vasiliauskas & Jakubauskas, 2007).

Sharing of benefits and risks

Many literatures (Murphy & Poist, 2000) (Leahy, et al., 1995) (Selviaridis & Spring, 2007) pointed out that Sharing of benefits and risks is one of the important issues in building a successful relationship. An incentive program is established which involves
the sharing of benefits and risks between the S & P for any cooperative efforts (Murphy & Poist, 2000).

**Sharing of common goals**
Sharing of common goals can also be seen as value consistency. It is a matching of the cultures and philosophies of both providers and shippers. (Murphy & Poist, 2000) (Leahy, et al., 1995)

**Number of services offered and improved services**
The most important issue for providers in the relationship of S & P is to offer useful logistics services. The number of services offered may leads to different results. According to Murphy & Poist (2000), the provider offers a comprehensive set of value-added services to meet shipper needs. A successful relationship also requires that providers can perform the outsourced tasks at the same, or higher, service levels (Leahy, et al., 1995).

**Joint Planning**
Joint planning is a key element of all successful partnership. Today, joint teams are assigned to address issues and problems and do long range planning (Lambert, et al., 1999).

**Cost savings**
Obliviously, cost saving is rather important in doing business and according to Lambert, et al. (1999), a provider should have the ability of performing the outsourced tasks at the same, or lower cost.

**Financial strength**
A firm should pay attention to the financial strength when choosing a provider. Having financial strength ensures that the S & P’s financial position warrants a
commitment of resources and that each party has the staying power to withstand economic conditions (Lambert, et al., 1999).

**Contract**

“The strongest partnerships appear to be those in which the contract either is not a written contract at all or exists for strictly ‘legal’ purposes and is not used as a guideline for day-today operations” (Lambert, et al., 1999, p175). Long term relation can be established through contract. One of the important problems in managing S & P relationship is that the assumptions will begin to change when the contract is signed (Lynch, 2000). The contract establishing alliance and agreement of S & P to perform a specified function together provides for flexibility but the interests will differ at times (Bendor-Samuel, 1999).

**Communications**

According to (Leahy, et al., 1995) (Lambert, et al., 1999) and (Murphy & Poist, 2000), balanced, two-way, multilevel communications are an indication of a strong partnership. Productive provider requires good relationship between S & P and this relationship requires continuing maintenance as well. Communication is the key component for a successful arrangement in all S & P relationships (Aghazadeh, 2003). A provider must be kept fully informed of every single aspect of the business which might affect it or influence the operations if the provider is truly integrated into the shipper (Lynch, 2000). Communication sometimes means that the shipper and provider share relevant information, that is a shipper and its providers should establish information systems, procedures, and meetings between them for a better understanding of each other (Murphy & Poist, 2000). As a result, one of the most important issues for the S & P relationship, is to maintain open communication at all levels at all times.
4.2 Empirical findings

4.2.1 From shipper’s perspective

According to Logistics Manager Ms. Chen (Interview, 2012), the Tianma Group holds a tender every year for full-year transportation to select logistics companies with good reputation, high strength, and reasonable price to cooperate with. Logistics Manager Ms. Chen said that before the Tianma Group make the decision of starting cooperation with a new logistics company; they will mainly consider the strength and the reputation of the company. Here, strength, they mean that if the company has stable financial condition and good reputation within the industry. “We will also check if the company has strict internal management, how many self-provided vehicles they have and how long they have been delivering for a specific route and so on.” said Ms. Chen.

The contracts for all the providers are one year valid with tariffs confirmed by both parties (Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012). The Tianma Group hopes to build long-term cooperation with providers because in this way, providers could have a better understanding of the Tianma Group’s customers and much more familiar with their customers’ preference of delivery. The most important expectation and requirement the Tianma Group has to the providers is that the providers can treat the Tianma Group’s products as their own goods rather than just a pile of logistics business (Interview, Mr. Zhou, Sales Manager, the Tianma Group, 2012).

Logistics Manager Ms. Chen (Interview, 2012) pointed out that the common goals and compatible interests of the Tianma Group and its providers are to develop both enterprises and have better economic benefits. Normally, all the providers can agree with the Tianma Group’s corporate culture and the compensation system of transport
damage and deficient of the products.

According to Logistics Manager Ms. Chen (Interview, 2012), there will be a delivery receipt for every logistics service, but other cooperation feedback between the Tianma Group and its providers is basically oral and unsystematic. Nevertheless, price adjustment intentions of both parties will be announced with paper version for negotiation (Interview, Mr. Zhou, Sales Manager, the Tianma Group, 2012). What is more, the cooperation communication between the Tianma Group and its providers is sometimes lagging of phase which means that they will talk to each other after some problems happened when delivery.

Annually, the Tianma Group will conduct an annual evaluation for all the providers. If the score of a provider is below the pass line, it will be removed from the list of qualified carriers. Relying on qualitative judgments, personals in the logistics department will judge the providers’ business quality, integrity and loyalty from the cooperation extent, reaction speed, and customer reflection and compensation situation of day-to-day business (Interview, Ms. Chen, Logistics Manager, the Tianma Group, 2012). Nevertheless, the Tianma Group has no clear reward and penalties system for the performance of providers. Logistics Manager Ms. Chen clarified that the Tianma Group will cancel or terminate the cooperation with a logistics company under the following circumstances:

1. Failed in the annual evaluation
2. Non-normal damage and shortage of products
3. Frequent occurrence of small frictions with the Tianma Group’s customers
4. Have behaviors that will damage the relationships among the Tianma Group and its customers
5. Problems with integrity and loyalty
4.2.2 From provider’s perspective

The following empirical findings from a provider’s perspectives are gathered from three General Managers from the three most important providers of the Tianma Group: Mr. Guowen Ni from Tiantian-Yinuo Logistics (TYL), Mr. Quanhua Li from Tongyu Logistics (TL) and Mr. Weixing Yuan from Yuhang Transport (YT). The interviews were conducted through e-mails, telephone and on-line chatting separately with the three managers. The interview questions can be found as an interview guide in appendix at the end of the thesis.

Tiantian-Yinuo Logistics (TYL)

TYL judges communication as an important factor that affects the relationship with the Tianma Group. However, the communication between them is on a weak level because they will only communicate about the daily shipment issues. Before the cooperation with the Tianma Group, TYL considered that the Tianma Group is a well-known enterprise with stable financial condition. “We expect shippers to be trustable and have quick speed of payment. The Tianma Group is trustable company but sometimes it has too long time period of payment. So, we are not that satisfied with the ability and timely of the payments in the Tianma Group.” said manager Mr. Ni. According to General Manager Mr. Ni, TYL and the Tianma Group have the common goals of providing better customer service and improving brand effect.

TYL places itself as a partner to the Tianma Group and tends to continue to improve the quality of transport services because TYL understands that the service quality it providers represents the service of the Tianma Group (Interview, Mr. Ni, General Manager, TYL, 2012). When it comes to the rules and regulations, TYL believes that it is very important for all the partners to obey all the rules and regulations together since the cooperation relationships are fair and equal. “As a company with long history and good reputation, the integrity and loyalty of the Tianma Group are quite
“Just like the evaluation we got from different shippers, our company mostly can meet all the requirements from shippers and we will spare no effort to solve problems. If there is any kind of damage and shortage of products which leads to have effects on delivery, we will try our best to make compensation.” said Mr. Ni, General Manager of TYL (Interview, 2012). TYL attaches great importance to negative evaluations and will seriously look into the reason of having problems and try to eliminate recurring of the same problems. (Interview, Mr. Ni, General Manager, TYL, 2012)

TYL will cancel or terminate the cooperation with a shipper when the following things happen:
1. the packaging of goods is not suitable for road transport
2. prices is lower than the costs
3. unreasonable way of payment
4. not executed to the agreement from both sides
5. have a serious offense or illegal activities

4.4.2 Tongyu Logistics (TL)

The most important problem is that the Tianma Group could not pay for the actual shipment on time. (Interview, Mr. Li, General Manager, TL, 2012). “Before we cooperate with the Tianma Group, we thought that the Tianma Group is a company with strong strengths; it has a large volume of goods for transportation. As a result, the space of cooperation with the Tianma Group would be wide and challenging. What’s more, we had no doubt with the reputation of the Tianma Group.” said General Manager Mr. Li from TL. The common goals between TL and the Tianma Group are: increase the profit margin and number of customers. From Mr. Li’s point of view, the factors that affects the relationship between TL and the Tianma Group is the corporate culture because TL can learn from the Tianma Group and develop more effective rules
and regulations. (Interview, Mr. Li, General Manager, TL, 2012)

Normally, the feedback from the Tianma Group to TL is more on the basis of the requirements from its customers while the feedback from TL to the Tianma Group is more about the prices when there are changes in policy or oil price (Interview, Mr. Li, General Manager, TL, 2012). TL has an annual regular meeting with the Tianma Group for the communication of service quality.

For the relationship between TL and the Tianma Group, General Manager Mr. Li thought that to maintain a good attitude is very important. “*TL always educates its employees to keep good relations with shippers and unconditionally serve and obey to the disposal of the Tianma Group. What’s more, we may give more consideration to the interests of shippers. Nevertheless, we have no doubt with the integrity and loyalty of the Tianma Group.*” said General Manager Mr. Li (Interview, 2012). TL has the confidence of having nice evaluation from its shippers such as the Tianma Group because TL’s capacities of handling emergency and completing transport tasks are on high levels.

When it comes to the contract issue, TL will cancel or terminate the cooperation with a shipper under the following circumstances: (1) every unit of shipment has specific requests; (2) not pay for shipments according to the contract; (3) deducting payment without any reason; (4) underreporting which means that weight and volume often does not match the case. (Interview, Mr. Li, General Manager, TL, 2012)

**4.4.3 Yuhang Transport (YT)**

“The main problems from the Tianma Group, which is what we are not very satisfied with, is that the Tianma Group sometimes could not pay for the shipments timely.” said General Manager Mr. Yuan from YT (Interview, 2012).
Before cooperate with the Tianma Group, YT considered the financial stability and industrial credibility of the Tianma Group (Interview, Mr. Yuan, General Manager, YT, 2012). Mr. Yuan (Interview, 2012) thought that the performance in the Tianma Group regarding to the expectations and requirements of YT is good. The common goal and compatible interest between YT and the Tianma Group is to achieve a double win in profits and interests (Interview, Mr. Yuan, General Manager, YT, 2012). The feedbacks between YT and the Tianma Group are based on goods receipts signed by the Tianma’s customers and the feedback cycle is once per month. For daily business, YT communicates with the Tianma Group with cell phone.

“If we get negative evaluation from shipper companies (such as the Tianma Group), we will sum up our own shortcomings and deficiencies and actively correct efforts to provide faster and better customer services.” said General Manager Mr. Yuan (Interview, 2012). YT will cancel or terminate the cooperation with a shipper if the agreement of payment made by both parties cannot be fulfilled. (Interview, Mr. Yuan, General Manager, YT, 2012)
4.3 Analysis

In order to answer the second research question, “where are the potential improvement areas among the relationships”, in this part of the chapter, we tend to go through all the success factors listed in the theory framework and then combine with the empirical findings in order to find out the existing problems among the relationships of the Tianma Group and its providers. In other words, the lack of the success factors in the relationships will be the foundation of finding potential improvement areas.

Wise Selection of a provider

For the shipper, when the Tianma Group selecting and choosing providers, the selection process and selection criteria need to be improved. In the FRP industry, there is one very important issue that is the fatalness because some of the raw material products are flammable liquid which means that the transportation of these products can be very dangerous. As a result, the selection of qualified providers turns out to be rather important. The Tianma group has many providers and some of them are qualified and some are not which means that the Tianma Group have the potential ability to improve the selection of providers.

Sharing of benefits and risks

Both shipper and providers can benefit from a long relationship between them. For the Tianma Group, all the chosen three providers are doing well in the integration of the supply chain of the Tianma Group. It is taking the benefits from the relationships. On the other hand, all the providers enjoy the partnership and providing logistics services for the Tianma Group. For the risks, the Tianma Group and its providers have contracts that limit and control the possible issues happening on the delivery processes.
Sharing of common goals

As mentioned in the empirical findings, the common goals and compatible interests of the Tianma Group and its providers are to develop themselves and have better economic benefits in order to achieve a double win in profits and interests. For this success factor, the Tianma Group and its providers are doing well, and they understand each other and agreed to share the common goals.

Number of services offered and improved services

The logistics services offered by providers can be seen as one of the most important issues which will affect the S & P relationship from a providers’ perspective. As mentioned before, the Tianma Group is satisfied some of its providers especially the providers with self-provided vehicles. However, the number of services offered form a provider is depends on the economic scale of the provider and improved services are internal improvement within the provider. Even though this is an important success factor, we judge it out of our research and study.

Joint Planning

The Tianma Group and its providers all want to establish a long term relationship with each other. They jointly plan, design, making contract, monitor, and exam the logistics processes together. For this factor, the Tianma Group and its providers are good.

Cost savings

According to the Logistics Manager, Ms. Chen from the Tianma Group, the company hopes to reduce the cost of delivery and that’s one of the reasons the company outsourced the outbound logistics. However, the company is not that much satisfied with expense of the providers when delivery. The providers all understand that cost saving is the most important issue but they still need to improve. As in this thesis, we are focusing on the relationships among S & P, not the internal cost reduction; we will not continue to write this issue in the following sections.
Financial strength

Financial strength is an important issue for judging a company’s comparative advantage. As mentioned before, two of the three main providers pointed out that the Tianma Group sometimes has the problem with timely payment. Since the fund and capital issue is internal management of the company while this thesis aims at managing the relationship not the performance within the Tianma Group itself or the provider itself; we think that financial strength is out of the potential improvement areas in our study.

Contract

Long term cooperation among the Tianma Group and its providers would be very beneficial for the both parties. As Ms. Chen, the Logistics Manager of the Tianma Group said in the interview, the contracts between the Tianma Group and each provider are all one-year contracts. In the logistics process of cooperation, if the two parties cannot reach a consensus in the cooperation or unable to establish mutually agreed logistics contract, it would be a common obstacle of causing logistics cooperation problems which is also an important factor to affect relationships between S & P. The Tianma Group has been outsourced its outbound logistics for so many years, and it has so many contracts with different providers. The problem of not having balance between contracting parties may leads to having idea of quit from the cooperation especially for the providers with small scale of economics.

Communication

The most important improvement area which needs to be improved is the communication issue among the Tianma Group and its providers. The normal communication between the Tianma Group and each provider is limited the daily communication and afterwards communication. Meanwhile, the communication is basically oral and unsystematic. The cooperation communication between the Tianma Group and its providers is sometimes lagging of phase which means that they will talk
to each other after some problems happened when delivery. However, the three providers have been co-operate with the Tianma Group for a long time which means the managers such as Ms. Chen, Mr. Zhou and the employees in the Logistics and Sales Department are quite familiar with their providers. It would be easier for them to refresh the relationships among the company and its providers. As a result, there is potential to improve the communication among the Tianma Group and its providers.

Table 4.1 The improvement areas of the relationships among the Tianma Group and its provider

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<th>Success factors</th>
<th>The Tianma Group</th>
<th>Providers</th>
<th>Improvement areas</th>
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<td>Sharing of benefits and risks</td>
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Doing well: 😊  
Internal management: 🟢  
Potential improvement areas: 🟢  
Source: own creation

In conclusion, the relationships among the Tianma Group and its providers have the problems of provider selection, contract and communication. On other words, these three problems are the potential improvement areas. In the next chapter, we will give suggestions which can improve or solve these problems.
5 Improvement suggestions

This chapter is a further step after the authors have described the relationship and pointed out the potential improvement areas. There are three issues in this chapter: wise selection of a provider, contract and communication. This chapter described relevant theory regarding the three issues and then, gave reasonable improvement suggestions to the Tianma Group.

Having all the three potential improvement areas, the shipper has to build up an effective management structure and process for the relationships with providers, not only to resolve conflicts but also to manage all the ongoing activities (Lynch, 2000). There must be a relationship manager who has the necessary managerial and leadership capability. Meanwhile, the integration between performance of both S & P requires should be treated critically that not be forgotten or overlooked (Lynch, 2000). What’s more, poor communication will lead to S & P relationship failure which means the communication among the Tianma Group and its providers should be much closer and more frequent.

5.1 Wise selection of a provider

5.1.1 Theory

“As the utilization of LSPs grows in the current decade, providers have begun expending their suite of services to encompass greater functionality in finance, inventory, technology, and data management” (Ross, 2004, p.600). According to Vasiliauskas and Jakubauskas (2007), due to information asymmetry, it is not easy for a firm to judge the ability of a provider during the selection stage. To solve this problem, complex selection procedures are necessary to identify abilities of different
In order to choose or select suitable providers there should be selection process or selection criteria for a company to rely on. Lynch (2000) mentioned selection criteria would be financial stability; business experience; management depth & strength; reputation with other clients; strategic direction; physical facilities & equipment; operation; information technology; quality initiatives; growth potential; chemistry & compatibility; and cost. But some criteria are developed with specific client need in mind (Selviaridis & Spring, 2007). Similar thing is that shipper should research a provider’s ability to accomplish what shipper want. The requirement of providers from shipper also need to be discussed (Aghazadeh, 2003). In addition, qualitative factors like supplier reputation, references from clients as well as response to information request initially can be used for selecting providers (Selviaridis & Spring, 2007).

Terreri (2010) listed some steps of finding a perfect partner which could help a shipper to develop its comparison of providers. The first step is that a shipper should understand its expectations (what your needs are) for instance: a provider has more capital to work with lots of shipments (Terreri, 2010). For a better cooperation, a shipper needs to make sure that its providers agree with all the requirements and know how to achieve the requirements. Another step for the shipper is to consider choosing a provider with a similar culture to yours (Terreri, 2010).

According to Terreri (2010), it is very important to find a provider who understands the unique logistics needs of each shipper. Meanwhile, when selecting providers, a shipper should certify that providers can effectively handle emergencies which mean that a provider should have proper re-resolution tools. In addition, safety and security are rather important on a delivery which requires that a provider should have the ability to meet these two requests. Terreri (2010) pointed out when choosing a
provider; a shipper cannot only look at the costs and prices which mean that cost and price is an important judgment but not the only one. As talking about the cost, a provider should have the competence of managing cost fairly. Moreover, a shipper should also look for “a provider that has shown innovation in systems and continues to drive innovation into their business with new ideas, processes and technologies” (Witt, 2008, p6). Last but not the least, it is very important for a shipper to check references and claims history of the providers because it the most effective way to discover the quality of a provider. (Terreri, 2010)

Blanchard (2008) also recommended how to select a provider which can make the selection process more successful:

1. *Critically assess your strengths and weakness*—a shipper needs to know what it is good at, and more importantly, what it needs the most help from providers.
2. *Consider the human element carefully*—it is very important that the relationships between key personnel on both sides should be nice and trustable because a shipper will have to trust the chosen partner for the whole term of cooperation. (Blanchard, 2008)

### 5.1.2 Application to the Tianma Group regarding wise selection of a provider

As Vasiliauskas and Jakubauskas (2007) said in our presented theory, it is not easy for a firm to judge the ability of a provider. Complex solution procedures are required during the selection stage to identify providers of group like Tianma. So the Tianma Group should have **selection criteria and detailed selection process** as Lynch (2000) recommended. Basically the Tianma group knows what they want; such as what **financial strength** a provider has, more capital to work with lots of shipments as Terreri (2010) mentioned. While selecting providers, the Tianma Group should
consider those factors:

- Whether Providers have self-provided vehicles or not?
- Do the Providers use outsourced vehicles or not; are those vehicles proper or not for products to be transported?
- Does a shipper have one or more than one line or travel route coverage?
- Which shipper performing well in which line or travel route?
- If the Provider has stable financial condition and good reputation within the industry or not?

Above factors matches with some of the points mentioned by Lynch (2000) and we believe that the Tianma group has understanding of those factors like financial stability, business experience, physical and equipment etc. In addition qualitative factors like their market reputation, reference from the customer are also considerable things for selecting providers of the Tianma Group. Tianma and its providers have similar cultural environments both confirmed by the Tianma Group and its providers which is very good. However, as we know the Tianma Group produces the kinds of products that safety and security are rather important on delivery which requires a provider have the ability to meet these requirements. As a result, safety and security matter is a crucial for selecting providers. On this point, we understood through information gathered from the Tianma group, the providers are not doing so good which leads to that the Tianma Group will have to pay more attention about the requirements of safety and security. What’s more, the providers have much tendency for bargaining the price. Terreri (2010) pointed out when choosing a provider; a shipper cannot only look at the costs and prices. Cost and price is an important judgment but not the only one. As talking about the cost, when selecting a provider, the Tianma Group should pay more attention to that if the provider has the competence of managing cost fairly. Moreover, it is very important for a shipper to check references and claims history of the providers because it the most effective way to discover the quality of a provider. Last but not the least, as
recommended by Blanchard, (2008), the Tianma Group should consider the human element carefully when choosing a provider in order to trust the chosen partner for the whole term of cooperation.

5.2 Contract

5.2.1 Theory

Logistics contract is signed by two parties (the demand side/shipper of logistics services and the logistics provider), which agreed to complete the logistics behaviors by the logistics operator and the shipper pay appropriate compensation to the provider (Sun, 2003). One of the important things of logistics contract is flexibility. One thing that known for sure about a logistics partnership is that the circumstances driving inception will change through time. As a result, when making the contract, logistic planners must be careful to draft a document that provides for the flexibility to respond services changes due to new technologies, remapping of the supply channel, new products, new competitors, changes of management and other issues. Moreover, Open Dialogue is like window for both parties ensuring the commonly accepted definition and term, detailed performance measurement, and a methodology to adjust logistics functions and expectations to meet current realities. (Ross, 2004)

Selviaridis & Spring (2007) distinguished that there are two opposing views about the role of formal contractual agreement in literatures. Majority of authors agreed to the existence of formal contract in order to the management and control of the relation. It also argued by Lambert et al. (1999, cited in Selviaridis & Spring 2007) detailed contracts might consider as lack of trust. In literatures Andersson and Norman, 2002; Boyson et al., 1999; Logan, 2000 (cited in Selviaridis & Spring 2007) a typical provider contract can includes: contract term (i.e., number of years); cost per service
and activities description; service levels; bonus payment for excellence performance; penalty causes for service failures, allocation of roles and responsibilities, risk and insurance costs; and contract termination clause.

For a contract of shipper and provider, it should contain the following aspects: Term and Termination of the contract; Commitment and assurance; Costs and Billing; Quality assurance and claims; Insurance and claims; The use of subcontractors; Trade secrets; Audit; All terms and conditions; Offset and overshoot account; Abstained; Legal jurisdiction and Special terms (Sun, 2003).

In the contract, according to Hu (2009), both parties must have reached the following agreements:

1. Provider Clarify all the content of services; provider will perform the services defined by the scope of work; shipper will pay the corresponding amount within the decided time and duration.
2. Provider agreed to provide warehousing for shipper and have clear “list of goods”
3. Delivery requirements: the provider cannot transport or transfer goods if there is no clear written instructions from the shipper. Provider should be given a reasonable period of time prior to shipping in order to execute instructions.
4. Value-added services: there should be a price list of the specific value-added activities and, if the shipper requires, provider may charge additional reasonable costs.
5. Liability and loss limits: clear responsibility for the loss and claim terms; the loss calculation; Insurance; and Risk-sharing.
6. Detailed related ordinance of Termination and default provisions.
7. Detailed related ordinance of alienation and authorization (Hu, 2009).
5.2.2 Application to the Tianma Group and its providers regarding contract

Logistics contract is complex which includes logistics system design, specific logistics operation standards, cost calculation, special requirements. As a result, we suggest that both parties should be more cautious when signing a contract. The contract is a process of long-term cooperation which should include commitment solutions of cost and responsibility because there might be blunders in the cooperation. Moreover, the contract among the Tianma Group and its providers should also mention remediation, such as an insurance company claims or the development of a sub-contract.

Outbound activity is crucial for the shipper like Tianma Group because the outbound business of the company is largely depend on providers. A potential customer of the Tianma Group will seek if the provider has sound delivery facility before doing business with the company. As mentioned by Ms. Chen from the Logistics Department of the Tianma Group, the long term relation is established by contracts. It is very important for making alliance in the business. As we found from the interviews, the Tianma Group wants to build long term co-operation with providers. However, the Tianma Group generally has one year contract which is not sufficient for building long term relation and alliance. We think that one year contract is not enough for good rating providers evaluated by the Tianma Group. We suggest that the company could consider increasing the time period of contracts, so to speak three years. Moreover, having long-time-period contract will benefit in keeping the stable and sound relation with chosen and target providers. It creates physiological positive effect to provider’s mind that provider can think that it has long term existing customer/shipper, no need to worry for another new customer/shipper. On the other hand, the Tianma group could consider decreasing contract period from one year to 6 months with low rating providers evaluated by Tianma Group. By doing so, it can
give also physiological pressure to that specific provider so that it can take effort to regain the satisfaction of the Tianma group.

According to the necessary agreements listed in the theory section, we recommend that the Tianma Group and its providers go through all the points. We suggest that there should be a part in the contract about **clear list of goods** in the warehouse provided by the providers. We also recommend that both of the parties should be more critical when dealing with **value-added services in the contract. Liability and loss limits** should also be an important part in the contract among the Tianma Group and its providers due to complains about damages from the customers of the Tianma Group. What is more, as some of the providers of the Tianma Group have the situation of outsourcing again to contract vehicles of other logistics companies; there must be items regarding **alienation and authorization**.

### 5.3 Communication

#### 5.3.1 Theory

“The development of the relationship involves three distinct phase: it started out as a transaction-oriented relationship, continued with closer coordination on the basis of the Frame agreement, and evolved into a closer collaborative effort involving significant adaptations and the recombining of resources.” (Ross, 2004) To move on with these three phase, the communication between a shipper and its providers is rather important since communication make the right information available at the right time, at the right place and for the right person (Azevedo, et al., 2008). According to Azevedo, et al. (2008), a provider should be able to manage information and communication effectively, and integrate logistics activities including transportation, distribution, warehousing, and fleet management, in order to
streamline the physical product flows of shippers. Witt (2008) pointed out that in outsourced logistics, there are two aspects of communication: among humans and electronic interchanges. Witt (2008) also said that the position of a provider is to standardize, or normalize communications among its shippers and the shipper’s customers.

Nowadays, the communications between S & P are more than track and trace. How often the S & P communicate differs by the needs of the product and the level of service it requires: hourly, daily or weekly reports (Witt, 2008). Communication between S & P should include information regarding all the processes pre-delivery, on-delivery and post-delivery. Daily communication can be reached by phone and fax in order to achieve the purposes: exchange the transportation information with shipper, confirm orders, and co-ordinate problems occur at any time in the transport processes (Du, 2006). If a shipper has just started the business with a new provider, frequency of communication varies depending on how familiar the shipper company is with outsourced logistics and the shipper’s expectations (Witt, 2008). Witt (2008) also suggested that a person from the provider should be matched with his counterpart in the shipper’s company for example; program managers of a provider should be in daily contact. For technical or financial issues, Witt (2008) said it is better to match people from both parties.

With the development of information technology, the channels of communication can be: traditional (face-face conversion, telephone, e-mail, official documents and letters) and modern (video telephony, timely network communication and SMS). Unlike labor intensive enterprise, logistics enterprises belong to the labor dispersed enterprises (Du, 2006). According to Du (2006), in order to make timely, accurate and effective communication, communication channels of logistics enterprises should not only make better use of the traditional communication ways, but also apply to the modern communications technology and equipment. What is more, the shipper and its
providers should establish a two-way exchange mechanism and information feedback mechanism.

In the following section of this part, the authors will introduce a tool --- Instant Messaging Office (IMO) which may help the communication situation of the Tianma Group and its providers.

**Instant Messaging Office (IMO)**

In today’s increasing computerized environments, companies relax to using technologies and technical personnel for smart communication. Basically providers solve this by offering rented services and equipment to manage application such as EDI, satellite/wireless communication, and enter arise web development (Ross, 2004). IMO is an office platform system based on IM (Instant Messaging). Through IMO, enterprises can achieve the goal of communications and collaboration with remote colleagues, partners and business customers via text, voice, and video (Ouyang, 2010). IMO can send and receive faxes, SMS, access and manage customer by using the Internet. According to Ouyang (2010), within the enterprise own virtual office, it will be like face-to-face communication with colleagues, customers, and partners. IMO could help a company to carry out the network communication, network office and network operations (Xie & Ge, 2011).

The feathers of IMO are:

1. Account resource of IMO is owned by enterprises/institutions. IMO helps to build official and organizational Internet communication platform (Zhang, 2011). According to Zhang (2011), an enterprise can apply for IMO account as a whole which means that the enterprise is the owner of the “mother” account. Member accounts belong to the “mother” account which should be opened, distributed, recovered and managed by the enterprise (Ouyang, 2010).
Enterprises can build Internal Internet offices as well as seamless interoperable network between enterprises (Ouyang, 2010). Ouyang (2010) concluded that unique organizational structure tree and members with business cards can significantly improve the coordination between offices because IMO makes the communication among remote branch offices just like in the same office. Members of the different enterprises can mutually add personal IMO accounts of each other (Zhang, 2011). No matter where the users are, IMO can help to achieve no-distance communication directly with customers and partners (Xie & Ge, 2011).

IMO configures rich office functions but excluding leisure and entertainment applications (Zhang, 2011). Zhang (2011) pointed out that IMO has more than 24 various office functions to make the office working more easily and efficiently. IMO removed all leisure and entertainment applications in order to avoid users be misled by entertainments in the state of work (Zhang, 2011).

IMO is the first free enterprise-class software in China which advocates zero cost. It aims at creating a professional communication platform for the enterprises (Xie & Ge, 2011). As mentioned before, an enterprise can register/apply for IMO account as a whole, and then download the software on the website. After this, the enterprise can just install the software without any cost and it can last for almost the whole lifetime. What is more, according to Xie & Ge (2011), IMO has personalized user experience which makes it very easy for users to get started. In addition, IMO has continuous free upgrade offered for users.
5.3.2 Application to the Tianma Group and its providers regarding communication

The application of communication between the Tianma group and its provider should be based on **pre**, **on** and **post** of any delivery activity. Our understanding from the empirical findings, these three phases of communications do not exist among the Tianma Group and its providers. They do not have proper and adequate way of communication. Their communication happens or may start if any problem arises. These three phases of communication among the Tianma Group and its providers can make the right information available at the right time, at the right place, for the right person as advocated above by Azevedo, el. al, (2008).

As mentioned in the theory, how often shipper and providers should communicate associated with level of service requires and it could be hourly, daily or weekly. The Tianma Group can make a **timetable** for its providers regarding when and how often they should communicate or have a meeting. For this, the providers can give their own suggestions. They could discuss which products require hourly communication, daily communication and weekly communication.

The communication nowadays is more than track and trace. However, the Tianma Group and its providers do not have proper way of track and trace communication. They have the lack of having less policy of periodic communication like hourly, daily or weekly. As a result, the policy or using the instruments of **track and trace** should be improved.

For the providers, they should be able to manage information and communication effectively, and integrate logistics activities including transportation, distribution, warehousing, and fleet management, in order to simplify the physical product flows of shippers’. Though these above acts are performed by providers, information and
communications exchanges are needed some extent to their shipper-the Tianma group.

According to Witt (2008) suggestions, when concerning technical and financial issues, the Tianma Group and its providers should match the technology department and financial department from both parties. A person of providers, who is in charge of the delivery program, should be matched for all the activities include in the delivery processes.

As we understood, the communication among the Tianma Group and its providers is in traditional way. According to Du (2006), in order to make timely, accurate and effective communication, communication channels of logistics enterprises should not only make better use of the traditional communication ways, but also apply to the modern communications technology and equipment. Additionally, the Tianma Group and its providers should establish a two-way exchange mechanism and information feedback mechanism.

In the theory section, we introduced a communication tool-Instant Messaging Office (IMO). We suggest that the Tianma Group and its providers could register/apply for IMO account as a whole, and then download the software on the website. They can use IMO to achieve the goal of communications and collaboration with remote colleagues, partners and business customers via text, voice, and video. They can also use IMO can send and receive faxes, SMS, access and manage customer by using the Internet. Information such as a shipment has been delivered or not; a payment has been made or not can be updated in this system. As a result, the Tinma Group and its providers can achieve the goal of having the right information available at the right time, at the right place, for the right person.
6 Conclusion

The conclusion chapter has five sections: the summary of the whole thesis, answers to the research questions, further research and critical assessment.

6.1 Summary of the whole thesis

This thesis consists six chapters: Introduction, Methodology, Description of relationship, Potential improvement areas, and Improvement suggestions.

The introduction chapter gave an introduction to the case company and research background as well as problem discussion. And then, we listed the main research question and three sub research questions.

In the Methodology Chapter we encompassed and described the scientific methodology in the thesis. The thesis followed Positivism perspective and it used Deductive and Qualitative approach. We used case study method and non-probability sampling. The empirical data were collected from the case company, the Tianma Group and its providers.

The Description of relationship chapter introduced the theories concerned with how to describe the relationship followed by the empirical findings we got from the case company and its providers. We also analyzed and combined the theory and empirical findings.

In the Potential improvement areas Chapter, we first introduced the theory framework which concludes some important success factors of the relationships between S & P. According to the empirical findings we got form the Tianma Group and its providers afterwards; we pointed out the potential improvement areas of the relationship due to the lack of the success factors described in the theory framework.

The Improvement suggestion chapter is a further step after we have described the relationship and pointed the potential improvement areas. We gave reasonable suggestions of the three potential areas: wise selection of a provider, contract and
The conclusion chapter has four sections: the summary of the whole thesis, answers to the research questions, further research and critical assessment.
6.2 Answers to the research questions

Sub RQ1: How can relationships be described and how is the current situation of the relationships among the Tianma Group and its providers?

The overall relationships among the Tianma Group and its providers can be judged on different stages of the levels of S & P relationships: customized logistics solutions which refers that the provider offers a broad range of standard services and allows the shipper to select a “package” of modules; the shipper and the provider jointly establish a logistics solution which is unique for the specified S & P relationship; and the in-house logistics solutions which means that logistics can be seen as the core skill in the providers.

Sub RQ2: Where are the potential improvement areas among the relationships?

The potential improvement areas of the relationships among the Tianma Group and its providers are: wise selection of a provider, contract and communication

Sub RQ3: In what ways can the Tianma Group and its providers improve the relationships?

**Wise selection of a provider:**

The Tianma Group should have selection criteria and detailed selection processes. The company should pay attention to financial stability, business experience, physical and equipment market reputation, safety and security, as well as reference from the customer of the new provider. While choosing providers the company should not only look into cost and prices. The Tianma Group needs to check the references and claim history of providers. What is more, the company should also consider human element of providers.

**Contract:**

Both the Tianma Group and its providers should be more cautious when signing a
contract. The contract among the Tianma Group and its providers should also mention remediation. The Tianma Group could increase time period of contracts for good rating providers, and decrease time period of contracts for low rating providers. Both parties should be more critical when dealing with value-added services, liability and loss, considering alienation and authorization.

**Communication:**

The communication between the Tianma Group and its providers should be based on pre, on and post of all the delivery activities. They could make a timetable of product shipments which requires hourly communication, daily communication and weekly communication. They should have consideration of periodic communication and use instrument of track and trace. In addition, they can use modern communication technology and equipment for example IMO.

The three sub questions are step by step towards the main research question. So by answering those three sub questions, we can come up with the answers and suggestions of main research question. As a result, all the recommendations to the three issues (wise selection of a provider, contract and communication) are the answers to the main research question: *How to improve the relationships among the Tianma Group and its providers?* Selecting providers, contract and communication are seen as the main issues that would improve the relationship between Tianma and its providers.
6.3 Further research

This thesis focused on the relationships among a shipper---the Tianma Group and its providers. We described the situation of the relationships and then found three potential improvement areas in order to give suggestions to improve the relationships among the Tianma Group. In our opinion, this thesis might be helpful in some research areas such as 3PL relationship. We think that it can also be used as a case when studying Customer Relationship Management (CRM). As we all know that CRM is a useful business strategy which is designed on behalf of the enhance profitability, revenue and customer satisfaction. Another topic of the further research can be Interaction between S & P because only when a shipper and its providers interact and cooperate, the relationship would be better and better. What is more, How to be a good partner – both from a shipper and a provider perspective can also be a further research after our paper.
6.4 Critical assessment

For this thesis, author’s main intension is to help to the Tianma group. The authors have chosen three providers as the representative of all the providers of the Tianma group, as these samples are considered to be right and valid to the authors. Additionally there could be possibility to consider all the providers of the Tianma Groups for doing a broader work on an S & P relationship.

The research questions have been solved theoretically due to the time limit. The authors had to apply the theories on the current relationships among the Tianma Group and its three main providers in order to find out the potential improvement areas and give improvement suggestions. Meanwhile, the authors could have used different theories such as CRM. But CRM is a broader concept while IMO is more reasonable and low cost system for the case company. As a result, the authors decided to follow the information offered by the case company and the providers.

The data were collected from the five interviewers by e-mail and on-line chatting. Information and data could be collected in a better way if the author could face-to-face meet the interviewers. In addition, the number of interviews may also be a limitation. Nevertheless, the authors believe that the given suggestions are the more relevant and suitable in order to solve the problems of the relationship.

The authors tried to make this research has a wider use potential. However, this study focuses on only one case company and its three providers. The conclusions of this research might be difficult to generalize to other companies. The conclusions of the thesis might be different if the case company had been a company outside the Chinese market.
Reference list


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Appendixes

Appendix I. Interview questions and brief answers

General questions regarding the company, products, logistics and providers of the Tianma Group

Thanks to the Tianma Group and its providers, we got plenty of useful material and information. All the materials we got from the Tianma Group and its providers are Chinese. For a better understanding, we translated most related interview questions and the answers into English and added here in the Appendixes.

1: Can you introduce your company with several sentences?
Our company is a functional enterprise integrated with research and development, production, marketing, personnel training, and information technology services. We are one of the best FRP raw material bases in China with the largest output, the best quality, the most varieties of products, and the most widely product range and it has more than 300 various types of technical personnel, around 30 senior engineers and more than 2100 employees.

2: How many product categories do you have?
Our company mainly produces FRP products, unsaturated polyester resin, FRP composite materials, geotechnical materials of transportation and construction and so on.

3: How are the overall policies your company has regarding the outbound logistics?
Sometimes, we give the option to the customers to pick the delivery as soon as
products are ready to outbound.

The outbound logistics of our company can be divided into two parts: almost 95% of the products deliveries are outsourced to some third party logistics companies and the rest 5% will be picked up by customers themselves.

4: Under what circumstances, your company will work with providers to complete the delivery of products?

Our company cooperates with a lot of logistics providers. Almost 95% of the products deliveries are outsourced to logistics companies.

5: How are the cooperation policies with the providers?

1. Long-distance dedicated line of consolidation: in some areas, the total volume of order is relatively large but fragmented to many small customers; the company has long-term cooperation with dedicated lines.

2. Long-distance fulfilled vehicle: for the customer who always orders for one full shipment every time, the company cooperates with several logistics companies for delivery which can be a dedicated line or other stable individual transportation companies.

3. Short-distance individual shipment: the company has long-term cooperation with the individual transport operators which is always available, quick and easy.

6: How many providers do you have? Can you introduce them according to your own categories?

We have more six providers, and the most important providers are: Tiantian-Yinuo Logistics, Tongyu Logistics, and Yuhang Transport.

7: What kind of damaging can occur while shipment delivery?

In-time delivery, package of the products
8: What specific problems the providers have?

It is very common that a customer orders both normal products, and flammable and dangerous products. Some providers will carry some flammable and dangerous products secretly with normal products in one shipment in order to reduce cost or time which can lead to problems afterwards.

We are in a situation of handling after problems have occurred. Sometimes, customers will complain about damaged or missing products and not timely delivery.

Questions regarding the relationships among the Tianma Group and its providers

To the Tianma Group

1: How are cooperative relationships among your company and the most important providers?

OK, but have problems

2: How long is the valid of the logistics cooperation contract? Does it vary depending on the different companies?

One year contract for all the providers

3: What will your company consider before the cooperation? Will you consider its recognition of your company’s products, financial stability or credibility?

Before we make the decision of starting cooperation with a new logistics company, we will mainly consider the strength and the reputation of the company. Here, strength, we mean that if the company has stable financial condition and good reputation within the industry. We will also check if the company has strict internal management, how many self-provided vehicles they have and how long they have been delivering
4: What are your expectations and requirements to the providers?

The providers can treat the Tianma Group’s products as their own goods rather than just a pile of logistics business.

5: Are you satisfied with logistics services of the several most important providers (such as flexibility, ability to respond)? If not, what are the problems?

Tiantian-Yinuo Logistics (TYL): we are more satisfied with the services by self-provided vehicles for the dedicated line of Qiangdao Province than the services by contract vehicles for the dedicated line of Hunan and Hubei provinces. One of the most impressive advantages for TYL is that the speed of handling the damage during delivery is quick and efficient.

Tongyu Logistics (TL): we are quite satisfied with TL because it owns a number of self-provided vehicles and basically the delivery services provided by self-provided vehicles are qualified and effective.

Yuhang Transport (YT): In Henan Province, there are a few relatively large customers of our company for example, Yutong Vehicles. They require all the delivery to be absolutely safe and timely. We think that YT can basically meet the requirements.

6: Do you (your company and the providers) have common goals and compatible interests?

Develop both enterprises and have better economic benefits.

7: What are the factors do you think that affects the relationships among your company and providers: Information systems, corporate culture, rules and regulations?

All these could be important issues that affect the relationships.
8: How is the cooperative feedback between your company and providers?
We have a delivery receipt for every logistics service, but other cooperation feedback between the Tianma Group and its providers is basically oral and unsystematic. Price adjustment intentions of both parties will be announced with paper version for negotiation.

9: How is the communication between your company and the providers? Do you have very frequent communication? Can you give an example of the communication for a specific operating process?
The communication between us is sometimes lagging of phase. We will talk to each other after some problems happened when delivery.

10: What roles the providers played for your company’s entire supply chain integration?
Our company views providers as the main carriers in the supply chain that undertaken the products from the production factory to customers. It is an important link for the management of goods and information flow in order to manage the supply chain as a whole.

11: In your opinion, what values have the providers created to your company?
If all the providers can manage the delivery very effectively, we are able to reduce inventory of raw materials and finished goods. With the stable cooperation relations with providers, we can thereby increase the utilization of funds. We can shorten the internal processes if they have Stable, secure, and timely completion of outbound transport operations

12: From your company perspective, what are the most important skills for the providers?
In addition to improve operational efficiency, efficient delivery can enhance the
ability to respond to market changes, thereby enhancing the competitiveness of enterprises.

13: How does your company measure the logistics company’s business quality, integrity and loyalty?

Personals in the logistics department will these rely on qualitative judgments.

14: Do you have rewards and penalties system for your providers?

We do not have clear reward and penalties system for the performance of providers.

15: Under what circumstances, you company will be cancel or terminate the cooperation with a logistics company?

We will cancel or terminate the cooperation with a logistics company under the following circumstances:

1. Failed in the annual evaluation
2. Non-normal damage and shortage of products
3. Frequent occurrence of small frictions with the Tianma Group’s customers
4. Have behaviors that will damage the relationships among the Tianma Group and its customers
5. Problems with integrity and loyalty

16: How do you see the competences of the providers?

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For the English version, see page 31
To providers

1: How is the cooperative relationship between your company and the Tianma Group? Is there and problems?

TYL:
OK. Communication and payment problems

YT:
We have been cooperated with the Tianma Group for more than 15 years and the relationship between us is OK. The most important problem is that the Tianma Group could not pay for the actual shipment timely.

TL:
Generally, our company has good relationship with the Tianma Group which can leads to a double win situation. The main problems from the Tianma Group, which is what we are not very satisfied with, is that the Tianma Group sometimes could not pay for the shipments timely.

2: What will your company consider before the cooperation with shippers (for example the Tianma Group)? Will you consider the financial stability and industrial credibility of the shipper?

TYL:
We thought the Tianma Group is a well-known enterprise with stable financial condition. Yes, we will.

YT:
Before we cooperate with the Tianma Group, we thought that the Tianma Group is a company with strong strengths; it has a large volume of goods for transportation. As a result, the space of cooperation with the Tianma Group would be wide and challenging. What’s more, we had no doubt with the reputation of the Tianma Group.

TL:
The financial stability and industrial credibility
3: What are your expectations and requirements to the shippers? How is the performance in the Tianma Group regarding to these expectations and requirements?

**TYL:** We expect shippers to be trustable and have quick speed of payment. The Tianma Group is trustable company but sometimes it has too long time period of payment.

**TL:** OK

4: Are you satisfied with the ability and timely of all the payments in the Tianma Group?

**TYL:** no! We are not that satisfied with the ability and timely of the payments in the Tianma Group.

**YT:** it was OK before, but not very good in recent years.

5: Does your company and the shippers (for example, the Tianma Group) have common goals and compatible interests?

**TYL:** providing better customer service and improving brand effect

**YT:** increase the profit margin and number of customers

**TL:** achieve a double win in profits and interests

6: What are the factors do you think that affects the relationships among your company and shippers: Information systems, corporate culture, rules and regulations?

**TYL:** the rules and regulations. We believe that it is very important for all the partners to obey all the rules and regulations together since the cooperation relationships are fair and equal.

**YT:** corporate culture

**TL:** all of them
7: How is the cooperative feedback between your company and shippers (for example, the Tianma Group)?

**TYL:** every day for each delivery

**YT:**
The feedback from the Tianma Group to us is more on the basis of the requirements from its customers while the feedback from us to the Tianma Group is more about the prices when there are changes in policy or oil price

**TL:**
The feedbacks between us are based on goods receipts signed by the Tianma’s customers and the feedback cycle is once per month.

8: How is the communication between your company and the shippers (for example, the Tianma Group)? Do you have very frequent communication?

**TYL:**
The communication between us is on a weak level because we will only communicate about the daily shipment issues.

**YT:**
We have an annual regular meeting with the Tianma Group for the communication of service quality

**TL:**
For daily business, we communicate with the Tianma Group with cell phone.

9: In your opinion, what roles do you played for the shipper’s entire supply chain integration? What values have you created for them?

**TYL:**
We place ourselves as a partner to the Tianma Group and tend to continue to improve the quality of transport services because we understand that the service quality wet providers represents the service of the Tianma Group

**YT:** 
We play an important role for the Tianma Group’s entire supply chain integration because we create both tangible (make the products of the Tianma Group useable for the Tianma’s customers) and intangible value (the continuation of the Tianma Group’s services with quick speed) for the Tianma Group.

**TL:**
We play a role of increasing the visibility and credibility and overall value of the Tianma Group.

10: How do you manage the relationships between your company and the shipper (such as the Tianma Group)?

**YT:** to maintain a good attitude is very important

**TL:** with perfect services

11: How does your company measure integrity and loyalty of the shipper (such as the Tianma Group)?

**TYL:**
We believe that it is very important for all the partners to obey all the rules and regulations together since the cooperation relationships are fair and equal. As a company with long history and good reputation, the integrity and loyalty of the Tianma Group are quite good

**YT:** no doubt with the integrity and loyalty of the Tianma Group

**TL:** we measure the integrity and loyalty of the Tianma Group by looking into the performances accordance with the contract.

12: What kind of evaluation has your company got from the shipper (such as the Tianma Group)? What problems have you ever be pointed out?

**TYL:**
Just like the evaluation we got from different shippers, our company mostly can meet all the requirements from shippers and we will spare no effort to solve problems. If
there is any kind of damage and shortage of products which leads to have effects on
delivery, we will try our best to make compensation.

YT:
We have nice evaluation from its shippers such as the Tianma Group because our
capacities of handling emergency and completing transport tasks are on high levels

13: How will you deal with negative evaluation from shipper companies (such as
the Tianma Group)?

TYL:
We will seriously look into the reason of having problems and try to eliminate
recurring of the same problems.

TL:
If we get negative evaluation from shipper companies (such as the Tianma Group), we
will sum up our own shortcomings and deficiencies and actively correct efforts to
provide faster and better customer services.

17: Under what circumstances, your company will cancel or terminate the
cooperation with a shipper?

TYL:
1 the packaging of goods is not suitable for road transport
2 prices is lower than the costs
3 unreasonable way of payment
4 not executed to the agreement from both sides
5 have a serious offense or illegal activities

YT:
1 every unit of shipment has specific requests;
2 not pay for shipments according to the contract;
3 deducting payment without any reason;
4 underreporting which means that weight and volume often does not match the case
We will cancel or terminate the cooperation with a shipper if the agreement of payment made by both parties cannot be fulfilled.
Appendix II. The structure of the Tianma Group

Source: homepage of the Tianma Group

English version of the structure can be found in page 2.
Appendix III. Samples of Products of the Tianma Group