

Analysis of the value chain of SF Holding

Yuqin Xia¹, Lu Yang¹, Huimin Pan¹

1Faculty of Economics and Law, Jingdezhen Vocational University of Art, China

*Corresponding author: 3213510550@qq.com

Abstract

With the rapid development of China's e-commerce and the transformation of consumer consumption habits, the express delivery service industry has ushered in unprecedented opportunities and challenges. The proportion of e-commerce express delivery business in the overall express delivery industry is increasing, and at the same time, market competition is becoming more and more fierce, and price wars and homogenization are becoming increasingly serious. In this context, with its unique business model and innovative strategy, SF Holding stands out from the competition in the industry and becomes a leader in the industry. This article explores the competitive advantages of SF Holding in the express service market through the value chain analysis method, and analyzes how it can create a profit model in line with its own development through the optimization of each link. The study found that the success of SF Holding lies not only in its solid market positioning and high-quality service system, but also in its ability to continuously innovate and optimize. SF Express is able to maintain its advantage in the fierce industry competition by constantly adjusting and improving its value chain to maintain its competitiveness in the volatile market environment. Finally, this paper puts forward suggestions for the future development of SF Holding in the express delivery industry, aiming to provide reference for other enterprises and help them stand out in the fierce market competition.



Full Text Article



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Keywords: SF Holding; value chain analysis; express delivery industry

Introduction

In recent years, with the rapid development of China's logistics industry and the continuous expansion of market scale, SF Holding, as an industry leader, stands out in the fierce competition and maintains steady growth in the complex logistics industry competition with its efficient logistics network and excellent service quality. Based on 's value chain theory and from the perspective of accounting profession, this paper systematically analyzes the main business activities and supporting activities of SF Holding, including procurement management, operation management, logistics network layout, marketing and service support. In addition, through the in-depth analysis of SF Holding' financial data, the company's specific performance in cost control, revenue structure optimization and capital expenditure is discussed, so as to reveal the competitive advantages and risks of SF Holding in all aspects of the value chain. The purpose of this paper is to

provide a valuable reference for enterprises in the logistics industry to optimize operation management and enhance market competitiveness.

Literature review

Value chain

Michael Porter's 1985 theory of "value chain" provides a powerful tool for companies in the logistics industry to analyze their competitive advantage. John Shank and Vijay Govindarajan (1992) gave a broader definition to the concept of value chain, proposing that the value chain of any enterprise is the entire process of production operations, from the supply of the initial raw materials by the supplier to the processing of the product to the consumption of the customer. W. Hines (1993) provides another perspective for the study of SF Holding. Hines proposed that the company's products not only exist for profit, but more importantly, to meet consumer needs through products. Through its advanced logistics service system, SF Holding has accurately met consumers' needs for fast and accurate delivery and established its brand advantage.

In addition, Hines emphasized the important position of suppliers and consumers in the value chain, and SF Holding's research also revealed that its close cooperation with suppliers and continuous interaction with consumers in its supply chain management have formed a highly synergistic value chain system. Hoque (2006) proposes that enterprises should implement activity-based costing (ABC) in all aspects of their production and operation. He emphasized that from the perspective of the value chain, the management of detailed activity costing can help enterprises more clearly identify and analyze the costs of each link, and then find possible defects in the cost management process. Gordon (2019) argues that value chains are highly comprehensive, and points out that value chains have multiple structures, each with its own unique features.

Analysis and discussion

Company profile

SF Holding is a leading integrated logistics service provider in China, with businesses covering express delivery, logistics, supply chain management, cross-border e-commerce logistics and other fields. As a leading enterprise in China's private express delivery industry, SF Express is known for its high timeliness and high service quality, and occupies an important position in the domestic and foreign markets. In 2017, SF Express officially landed on the A-share market through backdoor Dingtai New Materials, becoming the first private express delivery company to be listed in China's express delivery industry. As of 2023, SF Express has developed into an enterprise with a global logistics network, providing diversified logistics solutions covering intra-city distribution, air freight, cold chain logistics and other services.

SF's business model

Since 2005, SF Holding has fully implemented the direct sales model, and through this initiative, all aspects of the business process have been organized in a unified manner, thereby improving the standardization of customer service and company operation management, enhancing the standardization and compliance of internal management, and ensuring customer loyalty and brand

reputation. The implementation of the direct sales model is regarded as an important guarantee for SF Holding to achieve its business objectives and implement the company's strategy.

However, in 2020, SF Holding began to re-layout and introduce a franchise network. The purpose of this strategic adjustment is to better meet the growing demand for e-commerce express delivery. Through the franchise network, SF Express is not only able to expand its coverage at a low cost, but also continue to leverage its strong brand effect and leverage its existing logistics network management technology to ensure service quality. In addition, the franchise model also helps to better implement the national strategy of "express delivery to the countryside", especially in third-tier and below cities and rural areas. Due to the scattered distribution of these regions, it is difficult for traditional direct sales networks to effectively cover, so the flexibility of the franchise network can better serve users in these regions.

SF's main products

SF's core business is to provide domestic and foreign express delivery services, covering a variety of service types such as standard express, special express, heavy cargo express, cold chain express delivery, etc., to meet the needs of different customers. At the same time, SF also provides supply chain management, which provides customers with comprehensive supply chain solutions, including warehousing, transportation, sorting, distribution, etc., to support the logistics needs of e-commerce, retail, manufacturing and other industries. In addition, SF Express is also engaged in cold chain logistics, and SF Express provides temperature-controlled logistics services to meet the distribution needs of commodities requiring temperature-controlled transportation, such as fresh food and medicines. In addition to domestic logistics, SF Express provides cross-border logistics services through cooperation with major logistics companies around the world, covering various modes of transportation such as air, sea and land. These businesses constitute the main source of revenue for SF Holding, covering a wide range of sectors from single express delivery to integrated supply chain solutions.

Analysis of the value chain of SF Holding

1. Internal value chain

Porter's value chain system is mainly based on the manufacturing industry, and SF Holding is a logistics enterprise, which is not completely consistent with the value chain of the manufacturing industry, therefore, according to the business process of SF Holding Company, its internal value chain is obtained, and the basic activities include: receiving, sorting, transportation, and warehousing, delivery and after-sales, auxiliary activities include: infrastructure construction, human resource management, technology development, material procurement, business outsourcing, as shown in the following figure:

Ancillary activities	Infrastructure	Profit
	Human resources	
	Technology development	

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	Material procurement						
	Outsourcing						
Foundational activities	Pick-up	Sorting	Transport	Delivery	Warehousing	After-sales	

Figure 1 The internal value chain of SF Holding

Data source: according to the tide information

Specifically, the receipt and delivery of parts in basic activities is a very important part of logistics enterprises, which directly contact with customers, affecting the reputation and customer satisfaction of the company, thereby indirectly affecting the core competitiveness of the enterprise. Sorting is the most demanding link in logistics services, and reasonable sorting can ensure the efficient transportation and receipt of goods; As the largest part of SF's cost structure, the transportation link makes its services efficient through the three-in-one logistics network. The warehousing link is the connection point of each link in the value chain activities, and the cost of this link includes the salary of the warehouse management personnel and the storage rent. The after-sales service provides a guarantee for SF Holding' express delivery operations, including inquiring about logistics information, complaints, and claims, and the customer satisfaction implemented in this link directly affects the customer's evaluation of the quality of the company's logistics services. In terms of infrastructure, SF Express has obvious advantages. It is the largest cargo airline in China and the world's leading cargo airline, and the largest cargo owner in China's air cargo. Ezhou Huahu Airport, jointly built by SF Express and the government, will be the first cargo hub airport in Asia and the fourth in the world.

(1) Customer needs

Because products and services ultimately need to be consumed by customers in order to achieve profits. Customer demand is the first step in the whole process, which directly affects whether customers will make SF Express their first choice in the future. At present, SF Express still has problems such as a high rate of express complaints, slow progress in handling consumer complaints, and failure to conduct in-depth research on consumer preferences. And in order to meet the diverse needs of customers, companies should use modern big data technology to carry out forecasts and reasonably plan resource investment. Reduce the investment of idle resources, so as to improve profitability, real-time scheduling, and dynamic allocation of personnel, vehicles and other resources according to the actual situation.

(2) In terms of door-to-door pickup and delivery

In order to reduce the error rate of express delivery, shorten the delivery time, and reduce the time Cost, SF Express carries out comprehensive digital operation and online management in terms of terminal collection and delivery. Although SF Express has relevant regulations on door-to-door pickup, there are still problems such as the bad attitude of couriers. The collection and delivery area is not clear, and it cannot be dynamically predicted in real time, which is difficult in planning, and it is time-consuming in calculating distance, standards, and customer requirements. There is still a need for improvement in the labor intensity and reasonable remuneration of couriers, and the

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differentiated service is not carried out. Based on the above problems, SF Express needs to carry out intelligent scheduling and flexible work system to improve the labor intensity of couriers; According to multi-dimensional numbers such as region, difficulty, and quality, dynamic accrual is realized to ensure that the remuneration of the little brother is reasonable and fair, and task-based management and visual monitoring are implemented.

(3) Parcel sorting and transit

In the parcel sorting process, efficient and error-free sorting can ensure the safe and accurate arrival of the shipment. If it is not done properly, it will reduce the quality of service and affect the customer experience. In the transit link, the key logistics hub link is indispensable, so SF Express needs to build a large number of transit yards, upgrade automation equipment in the transit process, and increase the transit processing capacity. In terms of express packaging, we will minimize excess packaging, prevent waste of resources, use recyclable materials to help carbon peak and carbon neutrality, increase green investment, and promote green and sustainable development. Carry out security inspection, video tracking, operation monitoring, and establish risk early warning mechanisms for express mail on site; Real-time monitoring of site capacity, reasonable planning of resources or dynamic diversion, and improvement of transit timeliness.

(4) Logistics and transportation.

The characteristics of SF Express's "fast", "safe" and "efficient" are the reasons why many consumers choose SF, so logistics and transportation links are very important for express delivery companies, and the speed of transportation affects whether customers can get their packages within the estimated time. In 2009, SF's self-built airlines improved transportation efficiency, but the transaction cost of outsourcing capacity is still high. The utilization efficiency of the vehicle is not high, and the transport vehicle is often not loaded. The design of the transportation route is not reasonable, and the transit bears the transportation cost of the empty car. The workload of the transfer station has been increased. SF Express should pay attention to the use of multiple modes of transportation such as air, land and rail, and manage multimodal transportation by land and air on a platform-based basis. To build an information-based logistics system of "Sky Net + Ground Network + Information Network", SF Express should combine big data and Internet technology to open up a variety of transportation capacity systems, output abnormal flight scheduling and cargo diversion plans, ensure timeliness, and realize intelligent resource management.

(5) After-sales service.

In terms of SF's after-sales service, express delivery to consumers often has problems such as damaged and lost parcels, customer disputes, etc. It will affect customers' evaluation of SF's service quality. After-sales service is an indispensable part of the value chain as the final step in the entire sales process. After-sales processing can enhance a good brand image, improve high-quality service and create a good brand value, which is widely recognized by customers, the industry and society, and has the upper hand in the industry. In order to promote the long-term development of the enterprise, SF Express maintains customer loyalty. The whole process of sales should be investigated, the customer database should be improved, the customer's complaints should be fed back in a timely manner, the after-sales service should be improved, and efforts should be made to enhance the brand image.

In addition, SF Express has abundant transportation resources and is able to provide customers with domestic and cross-border multimodal transportation services. On the whole, SF Holding has invested a large amount of fixed assets in infrastructure. In terms of procurement management, SF's procurement materials focus on packaging materials and transportation equipment. In terms of procurement model, the main way of SF Holding is to pass supplier certification and establish alliances with long-term cooperative suppliers. As a key part of cost management, labor cost accounts for a large proportion of labor cost due to the high mobility of couriers and the low quality of employees.

2. External value chain

The external value chain of the enterprise refers to the business activities carried out by the enterprise that have a large connection with each other and cannot be severed, which brings value to the enterprise while also bringing value to other enterprises, including two aspects: horizontal and vertical. The horizontal value chain is also called competitor value chain analysis, and the vertical value chain is also called industry value chain analysis.

(1) Vertical value chain

As shown in the figure below, the vertical value chain of SF Holding includes upstream suppliers, the enterprise itself and downstream users, and SF Holding is located in the center of the industry value chain, connecting suppliers and customers, connecting suppliers and customers, establishing strategic alliances, and communicating with upstream and downstream enterprises in a timely manner.

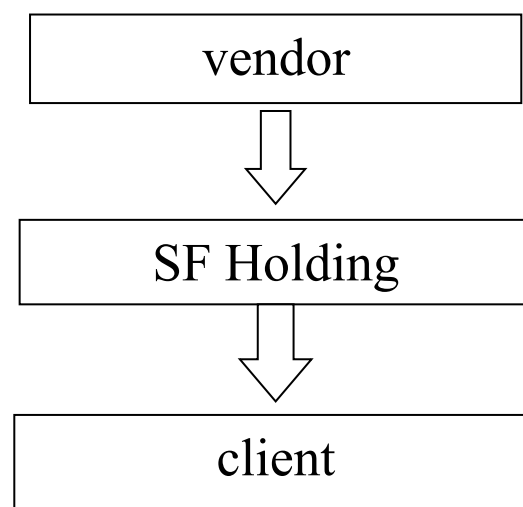


Figure 2 Composition of the vertical value chain of SF Holding

Data source: according to the tide information

(2) Supplier value chain analysis

In the logistics industry, suppliers mainly include providers in the fields of infrastructure construction, transportation and fuel. Fuel price fluctuations and infrastructure maintenance costs are the main drivers of upstream costs, which directly affect the overall operating expenses of enterprises. However, fuel prices are regulated by the international market, making it difficult for companies to intervene directly. Therefore, SF Express needs to reduce unnecessary cost waste and non-value-added resource investment as much as possible by broadening procurement channels and

optimizing resource allocation. From 2019 to 2021, the procurement amount of SF's top five suppliers increased year by year, from 8,187,426,000 yuan in 2019 to 22,479,993,000 yuan in 2021, nearly tripling. Although the amount of procurement has increased year by year, its proportion of the total annual procurement value has remained at about 10%, and the fluctuation range is small. SF can further deepen its partnerships with major suppliers, improve supply chain stability, and ensure the continuity and reliability of infrastructure and capacity supply.

(3) Customer value chain analysis

Customer demand is the core driving force to promote enterprise growth. As competition in the express delivery industry intensifies, SF Express must continuously improve customer experience and meet diversified needs in order to maintain its leading position, so as to enhance customer stickiness and loyalty. From 2019 to 2021, the sales of SF's top five customers increased steadily, from 3,485,213,000 yuan to 11,562,739,000 yuan. However, the proportion of this part of revenue in total sales has always been low, not exceeding 6%, indicating that SF Express is less dependent on large customers and has a relatively scattered customer structure.

In order to further increase its market share, SF Express needs to expand its customer base, focus on tapping the consumption potential of potential customer groups, and enhance customer lifetime value. At the same time, SF Express can customize differentiated solutions for customers in different industries, provide accurate services, and enhance market penetration.

(4) Horizontal value chain

In recent years, with the rapid development of the logistics industry, there are mainly the following types of logistics and transportation enterprises in the market: first, self-operated and self-built logistics, with Suning Logistics and Jingdong Logistics as the main representatives, and second, postal express and SF Express based on business parts; the third is the rookie network alliance in which Alibaba is a shareholder; Fourth, the whole network of small-scale transportation enterprises, such as daily express.

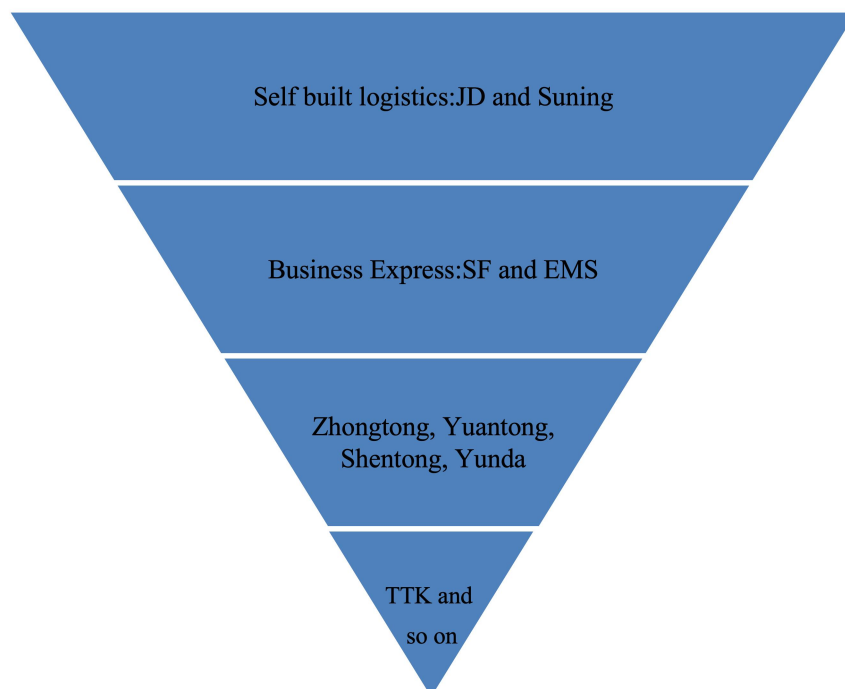


Figure 3 Classification of the logistics industry

Source: State Post Bureau

As a tertiary industry, the quality of logistics and transportation enterprises directly determines whether the enterprise has a place in the logistics market, in which the level of self-management and the quality of express service are positively correlated. Due to the self-operated mode, the will of the headquarters is easier to deliver, and the service and quality can be directly standardized and assessed. Under the franchise model, due to the inconsistency of the corporate interests of the headquarters and the franchised merchants, coupled with the progression of the level, the cost of information transmission is high, and the headquarters cannot contact the end customers, and the accompanying management is difficult. Therefore, the more mature the self-operated model, the higher the service quality, and the more customer satisfaction can be obtained. SF Holding is a representative of the early self-operated logistics enterprises, coupled with the integrated vertical direct management model, so that SF Holding has ranked first in the satisfaction survey of logistics enterprises in recent years.

Analyzing the value chain of competitors will help SF clarify its own positioning in the industry, gain insight into market dynamics, and optimize its strategic layout. By studying competitors' supply chains, market strategies, and customer relationship maintenance methods, SF is able to identify the gaps between itself and its peers and improve operational efficiency.

In recent years, the express delivery industry has maintained rapid growth, and the annual express business revenue in 2021 reached 1,033.23 billion yuan, a year-on-year increase of 17.5%. In the context of the overall expansion of the industry, the competition is becoming more and more fierce. Among the five major express delivery companies, SF Express ranks first in terms of revenue, which is mainly due to its first-mover advantage and scale effect in the early stage of the express delivery industry. However, SF's growth rate in 2021 was 17.38%, lower than that of YTO (31.29%), Yunda and Zhongtong.

With the prosperity of the e-commerce industry and the rise of self-media delivery, a large number of small and medium-sized logistics enterprises have risen rapidly. Due to their high price sensitivity and low requirements for timeliness, these companies are gradually attracting some customers. In the face of this trend, SF Express needs to further leverage its advantages in timeliness and service quality, provide tiered services for different customer groups, ensure that the core market is not eroded, and continue to increase its high-end market share.

As far as the express delivery market is concerned, its market share is concentrated in large-scale enterprises. In 2023, the market share of the three links and one reach will be more than 10%, surpassing that of SF Holding, and its market share will only be 9.06%, indicating that the market share of SF Holding needs to be improved.

Value chain cost management measures

1. Internal value chain cost management measures

(1) Adopt direct sales and outsourcing models to optimize the cost structure

SF Holding adopts a unique direct sales model for network layout and personnel management, ensuring the uniformity of service quality and standards. The headquarters directly manages the courier and logistics network, reducing the service instability and brand management risk caused by

franchise. However, due to the long management chain of the direct sales model, the overall operating cost is high.

In order to cope with this problem, SF Express has adopted a hybrid model combining direct sales and outsourcing across the country, outsourcing part of its business links (such as some distribution and warehousing links) to third-party suppliers. This not only effectively reduces labor costs and transportation costs, but also disperses operational risks. The combination of sales and outsourcing allows SF to retain absolute control in high-value links, while achieving cost reduction through outsourcing in low-value links, maximizing cost-effectiveness. This model is innovative in the logistics industry and provides a guarantee for SF's sustainable profitability.

(2) Open a convenience store to reduce delivery costs

SF has innovatively opened a "Heyke" convenience store in the community, turning it into a self-pickup point and micro-warehouse for terminal distribution, further optimizing the "last mile" delivery cost. Combined with SF's preferred platform, the "Heike" convenience store realizes free delivery within a small area (1.5 km), reduces the demand for long-distance transportation, and improves delivery timeliness and consumer satisfaction. In addition, the convenience store is seamlessly connected with SF's logistics system, so that goods can be transferred directly in the store without additional distribution, reducing the cost of intermediate links in the distribution process. This model has also brought new traffic entrances and profit opportunities to SF, reducing logistics costs and increasing market penetration.

(3) Self-built airlines reduce transportation costs

As early as 2009, SF Holding established SF Airlines, becoming the first logistics company in China to own its own cargo airline. By the end of 2023, SF Airlines has 86 cargo aircraft, with a total of 120 routes and 23,200 flights worldwide. The self-built airline provides SF Express with strong cross-regional transportation capacity, avoiding the high logistics costs and route restrictions of third-party airlines. In 2021, SF Express invested in the construction of Huahu Airport in Ezhou, Hubei Province, which is the first cargo hub airport in Asia. After completion, the airport will become the core hub of SF Express, greatly improving transportation efficiency, shortening delivery time, and further reducing air transportation costs. SF's own airline network enables SF Express to flexibly dispatch transportation capacity during peak logistics periods, improves the stability and anti-risk ability of the overall network, and strengthens SF's competitive barriers in the express delivery market.

2. External value chain cost management measures

(1) Strengthen supplier cooperation and jointly reduce costs

SF Holding is well aware of the impact of supply chain management on cost control, and has gradually reduced intermediate links and optimized the supply chain structure by establishing strategic partnerships with suppliers. In 2018, SF Express established a joint venture with the American cold chain giant Xia Hui, New Xia Hui, focusing on the cold chain logistics field to reduce the cost of fresh food and pharmaceutical logistics.

In 2019, SF Express cooperated with Fengshou Technology to build a supply chain fintech platform to improve the overall digitalization level of the supply chain, reduce inventory backlog, and improve the efficiency of capital flow. In September 2021, SF Express acquired a 51.8% stake

in Kerry Logistics Holding, leveraging Kerry Logistics' global network to accelerate the expansion of its international logistics business and optimize global supply chain costs. By integrating supply chain resources, SF Express has improved management efficiency and bargaining power while reducing the number of suppliers, and achieved in-depth optimization of the external value chain.

(2) Optimize the customer value chain and reduce marketing costs

SF continues to optimize its customer management system and improve customer stickiness through differentiated services, thereby reducing marketing costs. For different markets, SF Express adopts differentiated strategies: High-end market: Focus on timeliness and service quality, provide high-end customized services, and strengthen the direct sales model. Medium and low-end market: through the franchise layout of the sinking market, to provide cost-effective logistics services, to expand market coverage. In addition, during the epidemic, SF Express has established a good brand image by virtue of its rapid response to anti-epidemic needs and stable service quality. Consumers' word-of-mouth communication has effectively reduced marketing and promotion costs, and increased SF's market share and customer loyalty.

SF value chain management analysis

1. Financial performance analysis

(1) Operating income has increased

In recent years, SF Holding has maintained a stable revenue growth trend. According to the financial data of 2021-2023, the operating income of SF Holding increased from 207.187 billion yuan to 25840.9 billion yuan. In particular, in 2021, SF's operating income increased by 34.55% year-on-year, showing strong market performance and competitiveness. As the core business of SF, the time-sensitive express business grew steadily, and the revenue of time-sensitive express increased by 7.27% year-on-year in 2021. Although the demand for epidemic prevention materials and emergency delivery increased significantly during the epidemic in 2020, SF maintained stable growth in 2021 against the background of a high base, indicating SF's strong competitiveness in the mid-to-high-end express delivery market. In addition, supply chain and logistics services have grown substantially, and the supply chain and logistics business is the second growth curve that SF has focused on in recent years. In 2021, the revenue of this segment increased by 199.80% year-on-year, making it the fastest growing revenue of SF.

(2) Optimization of operating costs

Although SF Holding' operating income far exceeds that of its peers, its operating costs are also high. In 2023, SF's operating costs will reach 25.0551 million yuan. In addition, compared with their peers, the operating costs of leading logistics companies such as Yunda are generally higher. For example, in 2023, Yunda's operating cost will be as high as 43.133 million yuan. This shows that high operating costs are a common phenomenon in the logistics industry, and SF Express has significantly reduced cost pressure through refined management and cost optimization. As a result, cost control has been effective. SF's lower cost share is due to the continuous optimization of big data technology and network layout. By strengthening the informatization construction and intelligent dispatching system, SF has improved transportation efficiency, reduced the no-load rate, and effectively controlled logistics operating costs. In addition, SF Express has built its own aviation and warehousing system, which reduces its dependence on external transportation and

warehousing, which not only improves logistics speed, but also reduces external supplier expenses and long-term logistics costs. SF's successful experience shows that digital transformation and supply chain optimization are the key paths for logistics companies to reduce costs and enhance competitiveness.

2. Non-financial performance analysis

(1) The process of internationalization is accelerating

In 2021, SF Holding continued to accelerate the pace of internationalization and achieved significant growth in its overseas business. Relying on its self-built aviation network and digital technology, SF Express continues to expand the global market and accelerate the layout of its supply chain and international business.

In 2021, the supply chain and international business segment achieved operating income of RMB39.2 billion, a year-on-year increase of 199.80%, making it the fastest-growing business segment of SF Holding. SF Express is transforming from a traditional express delivery business to an integrated logistics service provider, and is involved in warehousing, supply chain management, international freight forwarding and other fields, gradually realizing the full-chain layout. This strategic transformation effectively reduces the dependence on a single business, and enhances the ability to resist risks and market competitiveness. For example, in 2021, SF Holding joined hands with Kerry Logistics to further strengthen the coverage of the international logistics network and enhance the capacity of cross-border e-commerce and international freight transportation. In addition, SF Express has been deepening its presence in emerging markets such as Southeast Asia, making full use of the global route resources of Ezhou Huahu Airport, an aviation hub, to establish an international express and cargo hub and enhance its global cargo capacity.

(2) Customer satisfaction increases

SF Holding has won high recognition from consumers with its high-quality service quality and brand image, and has maintained high customer satisfaction and loyalty in the domestic express delivery market. In the State Post Bureau's express service satisfaction survey for the third quarter of 2024, in terms of brand public satisfaction, the brands with higher scores are SF Express and JD Express.

Problems and countermeasures

1. Questions

(1) Unstable supplier cooperation

The cooperation between SF Express and suppliers is mainly based on contractual relationships, the depth of cooperation is limited, and there is a lack of stable strategic connection, which makes cost control more difficult. According to the data, SF's top two suppliers accounted for 4.50% and 2.71% of the procurement respectively, and the dependence on a single supplier is low, which reflects the instability of the supply chain to a certain extent. If the market environment or raw material prices fluctuate, the stability of the supply chain may be affected.

(2) Insufficient customer loyalty

Insufficient customer loyalty and limited market share In 2021, SF's top five customers accounted for only 5.57% of sales, of which the largest customer contribution was 2.39%, indicating that SF's

customer resources were scattered and customer stickiness was insufficient. Due to SF's relatively high pricing, which is mainly aimed at the mid-to-high-end market, it has limited appeal to customers with high price sensitivity, and is easy to be replaced by low-cost competitors such as "Four Links and One Access".

(3) Intense market competition

The market competition is fierce, the pressure on the industry is increasing, and the express delivery industry market is growing rapidly, and the total volume of express delivery business in 2021 will increase by nearly 30% year-on-year. However, the business growth rate of Zhongtong and YTO was 31.18% and 30.79% respectively, exceeding SF's 29.46%, and the growth rate of SF's market was slightly lower than the industry average. SF's business volume is less than half of that of ZTO, and its market share is facing challenges.

(4) High pressure on cost control

In recent years, SF Holding has continued to expand its business scale and invested heavily in building logistics infrastructure and aviation networks. However, in the context of heightened global economic uncertainty and price wars in the domestic logistics industry, high operating costs have compressed profit margins. SF Express has cost management problems in transportation, warehousing, distribution and other links, especially the fixed costs of air transportation remain high. From 2019 to 2021, SF's outsourcing costs continued to grow, reaching RMB107.455 billion in 2021, accounting for 59.19% of operating costs. While the outsourcing model improves operational flexibility, excessive reliance on outsourcing can lead to problems such as insufficient bargaining power and increased hidden costs of suppliers. Poor outsourcing management can lead to a decrease in service quality, affecting customer satisfaction and corporate brand image.

(5) The integration of informatization and digitalization is insufficient

Although SF Express has made some progress in the field of intelligent logistics, there is still room for improvement in the overall level of informatization. For example, in order management, warehousing scheduling and customer feedback, the phenomenon of data islands is more obvious, and a highly integrated logistics data platform has not been formed, which limits the comprehensive monitoring and optimization of the logistics chain.

2. Measures

(1) Establish a diversified supply chain system

SF Express needs to establish a diversified supply chain system, increase the reserve of high-quality suppliers, form a supplier database and improve the evaluation system. Through the establishment of supplier access threshold and rating system, the supplier is dynamically managed to ensure the quality and reputation of the partner. Regularly inspect supplier qualifications, strengthen information sharing, promote the formation of strategic partnerships, and reduce risks caused by supplier changes. In addition, financial monitoring mechanisms can be introduced to enhance the transparency of supply chain costs and ensure that costs are controllable.

(2) Dig deep into customer needs

SF Express needs to dig deep into customer needs, collect customer feedback through online and offline channels, and use big data to analyze consumer preferences to achieve personalized services

and improve customer experience. Improve the after-sales service system, formulate differentiated service plans for different customer groups, and improve customer satisfaction. SF Express can use the self-media platform to increase brand promotion, enhance market awareness, and expand the potential customer base. In addition, SF Express can rely on its own brand advantages to penetrate into the high-end market, provide exclusive logistics solutions such as luxury goods and high-end electronic products, continue its high-end brand positioning, and increase market share and customer stickiness.

(3) Pay close attention to the dynamics of its main competitors

SF Express needs to pay close attention to the dynamics of its main competitors, analyze the market strategies and innovation measures of Zhongtong, YTO and other enterprises, learn from each other's strengths, and adjust its own development direction. SF Express can expand its e-commerce field and increase investment in emerging businesses such as cross-border e-commerce and fresh cold chain logistics to form a differentiated competitive advantage. In addition, SF should strengthen its air, land transportation and intelligent logistics network layout, improve the efficiency of the whole chain logistics, continue to consolidate its advantages in timeliness and service quality, and avoid reactive response in price competition.

(4) Strengthen cost management and refined operation

SF Express needs to further optimize resource allocation and implement refined cost control strategies. In terms of air transportation, the cost of single ticket transportation can be reduced by optimizing the route layout and improving the freight loading rate. At the same time, it will strengthen the integration of regional logistics centers, rationally plan transportation routes, and improve overall operational efficiency. Establish a hierarchical training mechanism for different positions, and carry out regular professional skills training around smart logistics operation, data analysis, equipment maintenance and customer management. Introduce external training institutions or experts, combined with actual cases of enterprises, to improve the practical ability and theoretical level of employees. Implement the online and offline hybrid training model, monitor the training effect in real time with the help of the big data platform, and optimize the training program.

(5) Accelerate informatization and digital transformation

Promote the informatization upgrade of the whole chain, build an intelligent logistics system, and realize the comprehensive interconnection of order management, warehousing scheduling, and transportation monitoring. Predict market demand through big data analysis and improve the accuracy of warehousing and distribution. We can learn from the intelligent warehousing experience of enterprises such as JD.com, introduce artificial intelligence and Internet of Things technology, and improve the level of automation.

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