

Analyze the Reasons for Express Pricing Based on The Pricing Strategy and Put forward Corresponding Suggestions according to the Existing Problems

Min Pan^{1,a}, Jingyi Chu^{1,b}

¹School of Business and Tourism Management, Yunnan University, China;

^asysessey@163.com, ^bpatti17263@outlook.com

Abstract. With the continuous improvement of e-commerce, Internet technology and economic development level, the express industry is also developing. This paper will focus on the pricing strategy of express delivery from three aspects: cost oriented pricing, demand-oriented pricing and competition oriented pricing, briefly analyze its reasons, and give some suggestions combined with the logistics development at home and abroad.

Keywords: express pricing, reasons, strategy, logistics, delivery, transportation.

1. Introduction

According to the paper of Zhang Linchao ^[1] of Beijing Jiaotong University, express pricing strategies are mainly divided into three types: cost oriented pricing, demanding oriented pricing and competition oriented pricing.

With the rapid development of O2O mode, express has become a logistics industry that we often contact in our daily life. The express price of the first weight from Shanghai to Sichuan is 12 yuan and the second weight is 8 yuan. It is generally thought that this is determined by the transportation distance, but not necessarily. This paper aims to analyze why express is so priced and how these three mechanisms affect express pricing from the above three aspects. As e-commerce accounts for most of the business volume of express enterprises, this paper takes e-commerce as an example.

2. Impact of cost oriented pricing on express price

In the cost, one main part is the transportation cost that it is generally known to people. And the other main part is the delivery cost, which is touched by people more often, but it is easier to ignore.

Then talk about transportation costs. Transportation cost accounts for 45% of the total logistics cost^[2], which is the most important factor affecting the logistics cost. However, even for the same transportation, different transportation strategies also greatly affect the logistics cost. In terms of logistics strategy, the price of large-scale transportation is much lower than decentralized transportation.

Railway transportation is an effective way to increase large-scale transportation and reduce transportation costs. It has the advantages of long distance, large capacity, environmental protection, weather impact immunity and cost economy. However, the cooperation between China Railway Corporation and express enterprises is still in infancy^[3].

On the other hand, due to the road traffic control in the city and the prevention of urban pavement damage, the scale of transport vehicles in the city is often limited and only small transport vehicles are allowed to enter. It limits the large-scale transportation of the Couriers, Express, and Parcel (CEP) delivery company, which also leads to the increase of transportation cost.

In terms of transportation cost, large-scale transportation can reduce the transportation cost of enterprises. Therefore, establishing regional warehouse and increasing large-scale transportation can effectively reduce transportation cost, reduce transportation time and improve user experience and satisfaction. However, the large-scale increase of regional warehouse greatly increases the operation cost and safety inventory of the enterprise. In a word, it will increase the overall cost of

the enterprise. The contradiction between these needs to be measured and decided by the enterprise according to its own situation.

Secondly, the distribution cost. In fact, when express is used, it is defaulted that express includes countless distribution expenses until the goods are successfully delivered to consumers. But it actually greatly improves the logistics cost. According to the survey, less than 60% of orders can be delivered successfully at one time ^[4], which also leads to an increase in express cost and a decrease in revenue. The express volume of the Business To Business (B2B) mode and the Business To Consumer (B2C) mode accounts for the highest proportion. According to the survey, in recent years, the business volume of B2B mode has been declining, but the business volume of B2C has been increasing, and far exceeds the business volume of B2B mode^[5].

Wang, Y., Zhang, D., Liu, Q., Shen, F. and Lee, L.H. ^[6] indicate that the last mile accounts for 53% of the total logistics cost of B2C. Nowadays, the most effective way to reduce the distribution cost is centralized delivery. In centralized delivery, the most popular ways are pick-up points and automatic lockers. Couriers is more willing to place express delivery directly in lockers and Cainiao Yizhan, so as to reduce the number of delivery times and increase the number of delivered goods. By doing that, he can maximize his own benefits.

It doesn't mean that benefits can be maximized as long as centralized distribution. Due to the significant differences in flow rate, infrastructure and road traffic conditions, different distribution strategies need to be used for the last kilometer in different regions. In the research of Koen Mommens, Heleen Buldeo Rai, Tom van Lier and Cathy Macharis, combined with various factors such as economic and environmental sustainable development, it is concluded that in rural areas and urbanized areas, the way of home distribution should be preferred. While in cities, centralized distribution is more reasonable.

In addition, with the development of science and technology, UAV distribution is gradually promoted. However, at present, due to cost constraints, it can only be manufactured and utilized on a large scale by large enterprises to reduce costs^[7]. In addition, although the UAV reduces the congestion of ground traffic, they will inevitably cause low-altitude traffic congestion ^[8]. In general, although UAV can reduce the overall distribution cost in the long term, it is still limited by various conditions.

3. Impact of demand-oriented pricing on express price

Besides, demand-oriented pricing. Consumers are mainly sensitive to logistics time and price ^[9]. On the one hand, according to the research conclusion of Yin Xing of Zhejiang University of technology and industry, consumers in high context countries pay more attention to logistics quality, which is mainly reflected in logistics speed and delivery loss^[9]. According to the survey, nearly 88% of consumers are willing to pay extra for the same day or faster delivery ^[10]. According to the research of Professor Yang Jie and Yang Lu ^[11] of Shanxi University of Finance and economics, logistics efficiency has a significant positive impact on consumer satisfaction.

In recent years, Jitu express, which has come into people's view because of Pinduoduo, although the product service is general, the packaging is simple and easy to be damaged, it actually caters to people's needs to strive for bargains. The "four Tongs and one Da" is relatively homogeneous, and there is few difference in services and products, which determines that the prices of these express enterprises are similar. In general, facing the different needs of consumers, businesses will also give different pricing strategies.

Consumers also have a certain demand for the logistics and distribution mentioned above. According to the survey, 47% of consumers are willing to pick up their own packages at the parcel lockers and Cainiao Yizhan, and 73% of consumers claim that the doorstep delivery is a service they value much^[12]. In recent years, the behavior of couriers placing packages in couriers and Cainiao Yizhan without permission has aroused heated discussion. It seems that this is just a small matter and can be solved by taking it on the way home. However, when the goods are seafood with

short expiration dating and high temperature requirements, and the customers are elderly people over 60 years old and living on high floors without elevator, things are not so "easy". At this situation, enterprises should balance the relationship between profitability and consumer demands.

4. Impact of competition oriented pricing on express price

Finally, competition oriented pricing. For the same product, delivery time and price are the two most important factors in the competition of express enterprises. In recent years, the express industry has been in the state of "quantity increasing without income increasing". Due to the impact of COVID-19 and the improvement of living standards, the number of electricity supplier express is increasing, and all major logistics enterprises want to seize the increased market. Except that SF is the main high-end group, other express delivery enterprises are seriously homogenized and have low customer loyalty. In the face of this situation, express delivery enterprises will choose "lower price for more quantity", and the rate of profit is only 3% - 5% [13].

Pinduoduo is a new shopping platform focusing on low price. In order to maintain low price, businesses are more willing to choose low-cost logistics enterprises. The Jitu express seizes this market at a low price. Perhaps ordinary consumers do not feel obvious about the express price reduction, because the price reduction is mainly aimed at e-commerce, which has large orders. In fact, the price war of China's express enterprises has never stopped since 2008. The emergence of Jitu express has further intensified the price war in the express industry. According to the data, compared with the same period in March 2020, the single ticket revenue prices of SF, Yunda, Yuantong and Shentong all continued to decline, with a year-on-year decline of 12.12%, 13.44%, 11.03% and 27.65% respectively [14]. This is actually the impact of competition on express pricing.

5. Some problems and suggestions

In response to large-scale transportation, some CEP enterprises will distribute goods. That is, if there is a cart of cotton and a cart of steel, and a cart of cotton is loaded on the cart, the carriage can be filled, but it must be far from the maximum bearing capacity. If one car is used to load steel, only half of the cart is loaded, and the weight limit is almost reached. At this time, half steel and half cotton can be placed on the vehicle to make full use of the vehicle transportation capacity.

At present, the best way to reduce the distribution cost is to attract consumers to pick up goods at the parcel lockers and Cainiao Yizhan. However, consumer satisfaction also affects stickiness of consumers and company benefits, so the above problems have to be considered by CEP company.

In terms of solutions, some experience can be gained from abroad. In Italy, CEP enterprises will give certain concessions to consumers who are willing to pick up goods at pick-up points and couriers, so as to attract consumers to pick up goods centrally. Domestic CEP enterprises can also use this kind of solution to balance the needs of consumers and the interests of enterprises.

In terms of demand and competition oriented pricing, in the face of the serious homogenization of express delivery and diversified needs of consumers in the current market, CEP enterprises should learn from Deppon, SF and other enterprises.

At present, there is little investment in promoting the company brand in the domestic market, and a good brand image contributes a lot to improving brand value. In the express market with serious homogenization, brand image greatly affects consumers' tendency. Therefore, shaping brand image, increasing consumer recognition, and strengthening brand service through multiple ways can greatly enhance the brand influence and improve the competitiveness of enterprises.

6. Summary

From the above analysis seems to indicate that express pricing is mainly influenced by cost orientation, demand orientation and competition orientation. From the point of cost orientation, there are two parts: transportation cost and distribution cost. Demand orientation mainly includes

consumers' preferences for logistics speed, price and distribution mode, which is in contradiction with enterprise cost. The competition orientation mainly includes the competition between express enterprises, and product homogenization is an important reason for their price war. In the face of fierce market competition and the diversified needs of consumers, express enterprises should transform and upgrade from transportation enterprises to service transportation enterprises. Through differentiated services, reduce homogeneous competition with other enterprises and improve profit space of enterprises. At the same time, enterprises should build the brand image in multiple ways and expand brand influence, so as to improve the added value of products.

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