

2014

# BioTechnology

*An Indian Journal*

FULL PAPER

BTAIJ, 10(21), 2014 [12976-12981]

## Introduction and analysis of three typical logistics financial innovation service modes under the guidance of logistics enterprises

Ziqiang Wu

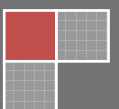
Anyang Normal University, Anyang, 455000, (CHINA)

### ABSTRACT

With the continuous development of times, the relationship between logistics enterprises and financial sector has undergone a subtle change gradually. The integration of them has certain services function, so as to provide a more convenient and efficient service for business operation among the supply chains. In this study, firstly, it carries out the specific research according to the moral content involved in the logistics financial services model innovation and it starts from the innovation perspective of the operation modes to discuss the advantages of the three operation modes so as to get the existing innovation of these three operation modes. Secondly, it combines with the logistics financial operation mode of chattel management to deepen the traditional logistics financial services modes effectively and to enhance the service function innovation of the mode to make the financial sector and logistics companies form a tighter supply relationship. After that, it carries out a specific research process for the logistics financial operation mode based on risk management and makes a deep exploration to the relationship characteristics between the logistics enterprises and the financial sector from the perspective of risk management, so as to fully reflect the promotion of the development of time to the logistics enterprises and the financial sector. And finally, it discusses the logistics financial service model innovation specifically, which fully embodies the time characteristics of the logistics financial service mode. This is the main idea of the study, in which the ultimate purpose of the study and the main research content can be seen.

### KEYWORDS

Logistics enterprises; Financial sector; Service model; Innovation study.



## INTRODUCTION

From the perspective of development, new changes have taken place in relationship between the logistics and finance with the rapid development of society. Its service function and application value get continuous improvement and reflects the innovative characteristics of the service mode between the two. In this study, combining with the logistics financial service mode innovation, it mainly studies the logistics financial operation mode based on chattel management, the logistics financial operation mode based on risk management and the logistics financial service mode innovation. Thus, it makes the process of research and analysis has a strong scientificness and rationality to meet the development requirements of the times between logistics and financial enterprises.

### LOGISTICS FINANCIAL SERVICE MODE INNOVATION

#### Content of logistics financial service

The so-called logistics financial field involved a lot of things. It is complex synonymous of logistics, finance, service and the corresponding risk management. However, among these areas, the first two are the cores. There are intrinsically inseparable link between the two, and also they are able to produce the positive effect of relying on each other and promoting each other. However, the finance relies on the regulation process of logistics to the material objects to form the corresponding risk control, and the development of the logistics industry needs appropriate fund to guarantee the effective implement of every aspect of business operation. They have the relationship of mutual promotion. The range of logistics service in logistics financial service is very wide, which mainly involves in the storage, transport, distribution, processing and other related work. Financial services are mainly involves in the supervision and management, asset evaluation process, etc<sup>[1]</sup>. And these items do not represent the overall of the logistics financial service. it also involves some corresponding additional services, such as risk management service, which mainly provides the relevant value-added services for customers, in order to be able to match a variety of needs proposed by customer's own. The additional services are related to the appropriate intermediary services content. These intermediary services reflect the concept of humanity, mainly including various financial agency business, such as freight forwarding and import and export agents and so on. For wind management, it is mainly combines with the risk treatment and prevention of the customer's own to carry out the corresponding value-added management services, in which the risk assessment of the user is a vital part, which can evaluate and analyze the risk effectively, allowing the risks of the users themselves become minimize or even avoid the risk. For example, the combination of the orders and capital of supply chain can lock the prices of similar goods in the international market effectively so as to provide customers with the most secure and effective investment programs to make the economic benefits of customers achieve maximize and promote the rapid development of market economic in logistics industry<sup>[2]</sup>.

#### Innovation of logistics financial operation mode

The specific operation process of logistics finance focuses on the serve, outstanding the innovation of service process methods, tools and processes. Based on the characteristics of logistics enterprises in the operation process, it makes up the gap for the required funds to reduce the investment risks effectively. In this process, the innovation of logistics financial model can be presented in three modes, the first is the financial model based on self-management; the second is the financial model based on chattel management and the last one is the financial model based on the risk management.

#### Logistics financial operation model based on capital management

The main features of this financial operation mode are to carry out the specific financial activities between logistics companies and customers through extensive settlement method, mainly reflecting in the aspects of the collection of payment and the corresponding advancement.

Firstly, the payment collection comes out, with the development of the Internet. During the network commodity trading process, buyers and sellers do not need to communicate with each other face to face, so this makes the emergence of mistrust sense in a certain degree between the parties. And the two sides hope to receive the commodities they bought at the first time and the corresponding payment they should get and they hope to realize the traditional transactions process through online transactions. So for the logistics companies, before the cargo transfer process, they advance the payment to the seller and after the buyer receive the commodities, the buyer submit the prices of the commodities to logistics companies. Then, the logistics companies compensate the money paid to the seller in advance. In this process, the logistics companies need to charge in accordance with the corresponding proportion in the whole process. In contrast, the mode of payment collection is more fundamental, which is the initial stage of logistics finance. From the perspective of interest ownership, the interest owns to the logistics companies directly and the buyers and sellers in this transaction can enjoy the basic convenient services. In the network transactions, after selling the goods, the seller needs to send the goods to the buyer through the convenient and efficient distribution of logistics enterprises. In this session, the logistics enterprise can replace the seller to collect the payment of goods. Thus, the logistics and the cash flow need a appropriate processes through a unified platform. This is able to offer the convenient service for both buyers and sellers, while the problems can also be further avoided<sup>[3]</sup>. However, in real life, the operator who can achieve such a transaction mode is the China Post Express Service Center. They mainly cooperate with the cash on delivery network provide payment collection business which involved in business in the 31 provinces and autonomous regions in China.

Secondly, for the advancement business, when agreeing to deliver the goods for the shipper, the logistics company provides half of the money to the seller. And in the process of pickup, the delivery person provides all the money to the logistics business. So there are some fund appropriation situations in logistics companies. In order to eliminate this situation, usually, the advancement of payment can be carried out by another advancement mode. That is to transfer the shipper's right to the bank. In the process, the bank provides an effective fund source for the logistics company, which is a means of business financing. After delivery person giving the payment to the bank, the bank will remind the shipper to send goods to the delivery person. After the delivery of goods, the bank will hand over the payment to the shipper. The function of the bank is the third-party trading platform. Under this mode, the role of logistics enterprises themselves come out a qualitative shift, gradually from the body of commercial credit to the supporting role of providing information services and shipping services for bank. However, from the perspective of interests' ownership, the logistics company has received the financing from the bank. For its own, it reduces the risk of the occupation of fund. And also the bank gets the interest from the process. The logistics companies achieve the maximize profits target through the corresponding value-added services (particularly as shown in Figure 1).

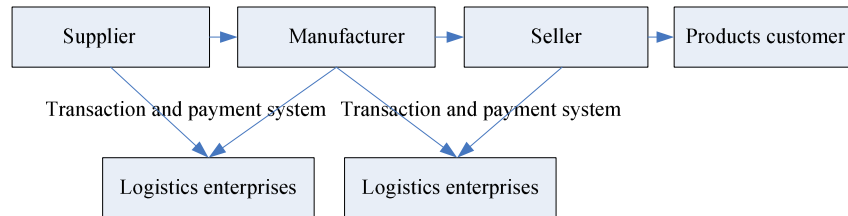


Figure 1 : Transaction and payment mode

**THE LOGISTICS FINANCIAL OPERATION MODE BASED ON CHATTEL MANAGEMENT**

**Typical warehouse receipts pledge mode**

As the basic operation mode of warehouse receipts pledge, the specific operation of this mode can be clearly reflected by Figure 2. The logistics enterprises who accept the financing store the goods in the warehouse stated by the party who provides the financing to apply the financing from financial institutions by the appropriate proof. In this process, the financing party will provide financing based on the value of the goods. And in this mode, the stated warehouse is a third party trading platform, which need to sign a contract with the financing institutions and the enterprises who accept financing, involving the aspects of value estimation, storage of goods and credit guarantee service to make the relationship between logistics enterprises and banks become closer<sup>4</sup>. Ultimately, the relationship that exists among the three is a kind of credit facility which provides appropriate convenience for them.

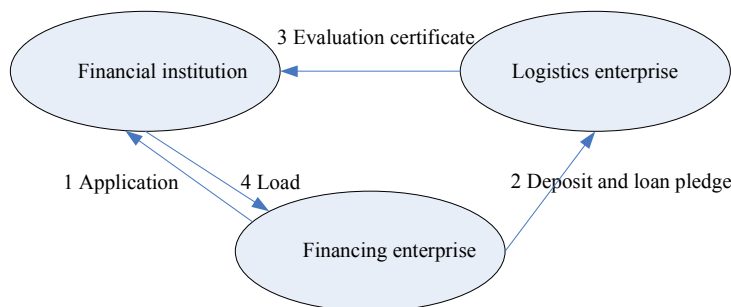


Figure 2 : Typical warehouse receipts pledge mode

It can be seen from the interests' ownership, logistics companies can make effective financing through these liquid assets, such as the raw materials of goods and products. And the financial institutions would broaden this business effectively. In this way, the logistics companies can get a better income which is mainly reflected in two aspects. The first is that the logistics companies will get some associated costs in the process of storing and managing goods. The second aspect is that the logistics enterprises will charge some intermediary services fee from the financial institutions.

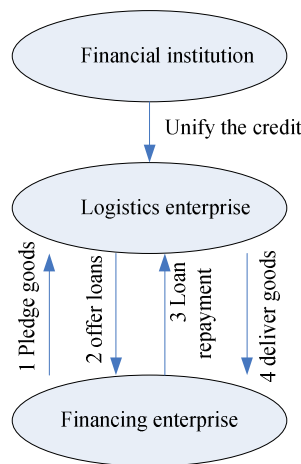
**Innovative warehouse receipts financial model**

With the rapid development of time and society, finance and logistics industry form a close integration, resulting in innovation and development situation. The logistics warehouse receipts finance is derived from the traditional model to a new operation mode. The number of warehouse receipts mode increases in logistics center. This mode increases the number based on the original one and chooses the location of the warehouse in the round to promote it to provide more financial support for

the logistics enterprises. The warehouse is the third party trading platform and according to the different needs of users, the logistics enterprises integrate their own warehouse resources effectively, so that it can tailor for customers. It is based on the principle of proximity to make the goods pledged cost of the customers reduce continually. In contrast, for the reverse guarantee to the goods pledge, it is not to delivery the current assets of the logistics enterprises to banks directly so as to carry out the pledge of goods. However, it regulates the goods of customers directly through logistics enterprises to form a briefer program between logistics companies and customers to increase the flexibility and reduce the transaction costs.

**The unified credit mode**

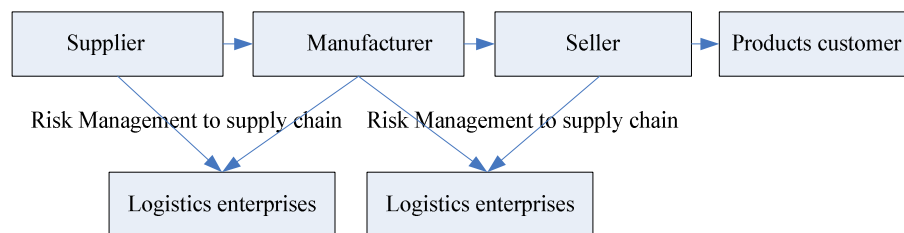
This operation mode deepens the traditional warehouse receipts pledge mode and they have the same operating principle. But, this mode streamlines the transaction process for the payment fully and optimizes the transaction chain correspondingly. It has the positive effect for the improvement of work efficiency. In this mode, mainly based on the logistics companies’ operation scale and operation status, the financial institutions give them the corresponding loans. And the logistics companies can regulate their own warehouses effectively according to amount of loads they accept<sup>[5]</sup>. In this process, the financial institution does not participate in the pledge of goods as well as the operation of the whole process, it is operated through the logistics companies directly (be shown in Figure 3 specifically). This model can play a positive role for the improvement of the pledge load ability of financial institutions and can provide help for broadening the scope of services as well as lays a solid foundation for the further optimization of business processes and the reduce of risks.



**Figure 3 : The unified credit mode**

**LOGISTICS FINANCIAL OPERATION MODE BASED ON RISK MANAGEMENT**

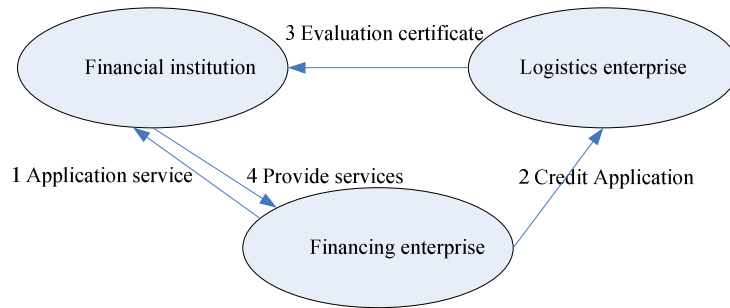
Logistics financial operation mode based on risk management has a strong applicability. It has a positive effect to each segment of the supply chain in logistics companies and it manages and forecasts the enterprises’ risk effectively through the operation process of the financial sector. In the system, the specific model structure can be fully reflected in Figure 4. In this logistics financial services mode, its providers need to assess the risk effectively and to give an adequate consideration to the risks to fully exploit the uncertainty of the existence of the risks, so as to provide the protection to the benefit maximum of all companies within the supply chain. Through the effective use of risk management methods of the financial institutions to supply chain, it provides a effective risk avoid scheme for the people who need the warehousing services of logistics companies, which reduces the losses in the supply chain to a minimum so as to ensure the interests of all operators in the supply chain to get the overall protection<sup>[6]</sup>. In this situation, the logistics companies and the corresponding insurance industry need to participate in the entire supply chain and to ensure the appropriate business exchanges. The importance of this link can also be reflected from here.



**Figure 4 : Logistics financial risk management mode**

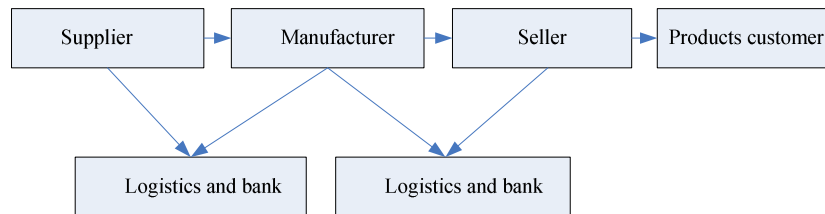
**LOGISTICS FINANCIAL SERVICE MODE INNOVATION**

It can be seen from the above three service modes, financial institutions include banks, insurance and other relevant financial institutions, and the intrinsic value of the logistics enterprises mainly includes guarantee, supervision, management, and the enjoyment of financial services. So it has certain passivity and the graph in Figure 5 can reflect it effectively.



**Figure 5 : Logistics financial participate the subject relationship**

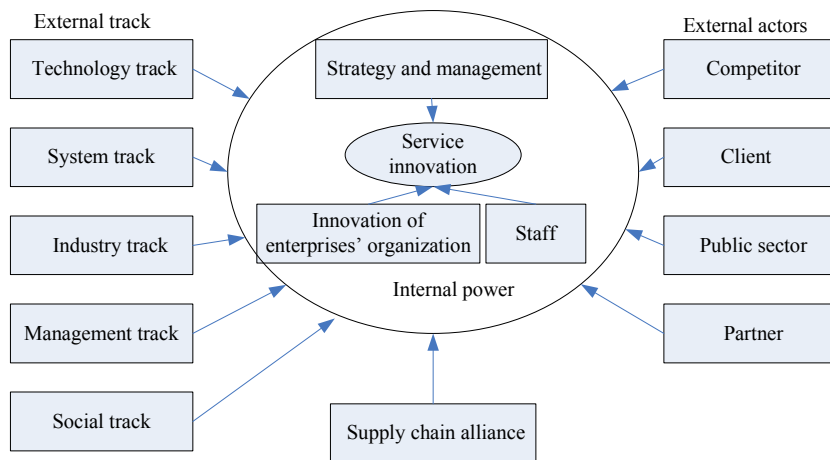
From this relationship, people can feel that there is a complex relationship between the financial sector and logistics companies. And there will be some overlap points between them in the whole process, resulting in the existence of the corresponding responsibility blind spots in whole process. The traditional single consignment will change into the to the two-way Commission of the agency relationship to produce a certain agency costs, which will cause some influences to the capital turnover of logistics enterprises and the funds liquidity of banks<sup>[7]</sup>. Meanwhile, for the financial companies, they are able to occupy a certain initiative and the risks they beard are decreasing. But at the same time, the risk borne by the logistics companies will increase continually. Such situation will cause the interests inequality between the two logistics and financial sectors and the specific content can be reflected by Figure 6.



**Figure 6 : Logistics and bank**

**DRIVING FORCE ANALYSIS OF LOGISTICS FINANCIAL SERVICES INNOVATION**

The development trend of service innovation presents the strategic orientation and systematic. Similar to the development track of technology innovation, service innovation is bound to rise to the plan action of enterprises from an accidental action. The Third party logistics service innovation should develop to the strategic level primarily and strategy plays a very important role in the innovation of logistics services. Moreover, with the development of the market competition and the logistics market, the logistics strengthens the cooperation with the customers of supply chain enterprises and they form the logistics alliances with their peers. So the logistics financial service innovation model is to add the network mode into some elements of strategic innovation mode to form a unique strategy and network innovation mode. Combining the characteristics of the third-party logistics and the theories of service innovation, the mode of the driving force of logistics services innovation is structured which is shown in Figure 7.



**Figure 7 : The mode of the driving force of logistics financial services innovation**  
**CONCLUSIONS**

Above is the research and discussion process of this study about the introduction and analysis of three typical logistics financial innovation service modes under the guidance of logistics enterprises. In which, the study regards the logistics financial operation mode based on chattel management and the logistics financial service mode innovation as the focuses of the research, which reflects the innovation and development idea of the logistics financial services mode to ensure to provide a more convenient and efficient service between finance and logistics industries.

**REFERENCE**

- [1] Liu Wenkai; Study on the financing problem of town enterprises based on logistics finance, *Communication of Finance and Accounting : Comprehension (middle)*, (8), 21-22 (2014).
- [2] Guo Wei; The risk and prevention of agricultural products logistics financial service development mode, *Commercial Times*, (23), 30-31 (2014).
- [3] Yu Bo; P2P based logistics finance latform and innovation design of its financing mode, *China Business and Market*, 28(6), 122-128 (2014).
- [4] Zhang Yinxxia; Analysis on the promotion of the small and medium-sized logistics enterprises competitiveness from the view of logistics finance, *Social Science Hunan*, (A02), 336-337 (2014).
- [5] Zhu Xiaoqin; Third party logistics financial service mode and risk control, *Commercial Times*, (17), 89-90 (2014).
- [6] Li Haibo, Liang Xiaolu, An Wei; Development mode and risk control of logistics finance of TPL enterprises, *Logistics Technology*, 33(1), 238-241 (2014).
- [7] Tang Xiaoyan; Logistics financial innovation and risk control research from the perspective of supply Chain, *The Journal of Yunnan Administration College*, 15(6), 232-233 (2013).