

Logistics Industry Comparison between China and American Companies & Investment Timing Report: “Why Now”

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Abstract. The background of this study is based on both China and the United State logistic industry. Through a span of more than a decade, we analyzed the reasons for the success and failure of these two companies (Consolidated Freightways-US & La La move-China) from five different perspectives-Technology, Economic, Social, Installed Base, Regulatory, and Decision-making. We found that each of these five broad environmental factors contributed more or less directly to the ultimate success or failure of the company. The significance of this study is to provide managers with more authoritative results by analyzing similar companies in different regions at different times to help them have a better understanding of business investment timing issues.

Keywords: Logistic Industry, Timing of Investment, Comparison of US & China-based companies.

1. Introduction

In an article called *The Timing of Competitive Market Entry: An Exploratory Study of New Industrial Products*, where they discussed multiple examples of how the timing would affect the successfulness of a company [1]. The decision to enter the market should be timed to balance the risks of premature entry against the opportunities missed by arriving late. There are only limited periods when the “fit” between the needs of a market and the offering of a firm is optimal [2]. Furthermore, another paper by Dr. Tsvi Vinig called *Timing is Everything: Success Factor for Startups*, used examples such as the introduction of the car Ferrari to show us the importance of timing and how it would affect a company’s success or failure [1-2]. If the market is not ready for an offering, it is analogous to offering a Ferrari in a world without highways or gasoline [3]. This leads us to our topic of discussion: How timing affects a company’s success or failure. We compared two companies in the freight industry in different periods, one in the 1930s in the United States, and the other in the 2010s in China.

The freight industry has existed since the invention of trucks in the 1890s. The freight industry is based on the need for physical transportation. It has very high importance in countries like America and China due to the massive need to transport goods and commercial moving for residents. The two companies we are making our comparisons on are Consolidated Freightways in the United States and La La move in China. Consolidated Freightways is a company founded in the United States in 1929, not long after the invention of trucks, and it was an American multinational less-than-truckload (LTL) freight service and logistics company, which means that it carried shipments for several customers in one vehicle, not requiring a minimal amount of goods to be shipped. Consolidated Freightways is a company that started up during the era of the great depression when the trucking industry was far from the dominating force it is nowadays. With the recovery of the country's economy, the massive factory production and the need for transportation sparked competition. However, since Consolidated Freightways was established before most other freight ways companies, they established a broad

customer base and proliferated through the era of the rebirth of the United States economy. However, in 2002 September, Consolidated Freightways Corporation filed for bankruptcy and closed its doors.

La La move is a company founded in China in 2013, which is more technology-based, using mobile apps to connect users with delivery drivers on its mobile and web apps. La La move was developed during significant technological advancement when the mobile phone became more and more important in society. The app was easy to access and thus easy to use based on the mobile phone, which attracted a large customer base who needed moving.

The two companies were established in different eras, having similar models, yet one could succeed and grow while the other had to file for bankruptcy and close its doors. Both Consolidated Freightways and La La move are the leaders of their industry, yet one was able to be successful, which showed us the importance of timing, which is where we made our comparisons on the importance of timing in a company's success.

It leads us to our main topic of discussion for this paper: how timing is an important factor contributing to a company's success and failure, and other factors that might affect a company's success. Comparing the two companies in the same industry in different countries and different time eras, to see the different factors of why they succeeded or failed, and the role that timing played in this comparison.

We will look at the different factors in the second part, looking at technology, economic, social, installed based, and regulatory aspects of the comparison between the two companies. Then we will look at the company's decision-making, how that contributes to the company's success or failure, and its timing of entering the market. Part 4 is the discussion and part 5 is the conclusion.

2. Five Drivers of “Why Now”

2.1 Technology

The development of science and technology, especially the development of the Internet, has had a great impact on the freight industry. Consolidated Freights was established earlier, and also established its online mall in 2000. Company employee Larson mentioned that in the past, customers communicate with each other by telephone or fax, but now the company hopes that customers can use the Internet for business transactions [4]. However, in 2000, the Internet was not as developed as it is today. Even if consolidated freights created its online store, it still requires customers to log in to the website to print the bill of lading to check the shipment's journey [5], which is not a completely online operation for customers. In addition, only 5,000 of consolidated freights' 155,000 customers log on to the site every day to transact or view business [4-1]. This means that the number of page views of the website is low. This is because in 2000, the Internet and smartphones were only in the development stage, and people could not use their mobile phones to conduct online transactions at any time.

La La move was founded in 2013, which is a good time to catch up with the booming development of the Internet. People can use mobile phones to log in to the official website or app to place orders anytime, anywhere, and only need to fill in relevant business information on the mobile phone, which is fast, convenient, and concise. At this time, the development of smartphones and the Internet has laid a solid technological foundation for the online transaction of La La move. La La move uses advanced applications provided by AWS, "La La move can be up and running in a new city in just a few days", which is very helpful for La La move's business expansion. In addition, the AWS application has helped La La move greatly improve efficiency and productivity. "We can standardize all microservices and reduce the time spent building and maintaining the infrastructure. It also simplifies communication between engineers in different locations," said Fork, director of engineering of La La move [6]. La La move can use big data to quickly match related businesses according to customer needs. It also enables real-time analysis to identify areas with the most active users and high business demand. Therefore, companies can concentrate more labor in these areas, to maximize the use of resources to obtain benefits [6-1]. All of this depends on the development of the

Internet industry and smartphones. The advancement of technology brings greater convenience and business opportunities.

Technology has influenced the growth of both companies' online shopping businesses. Due to the immaturity of the Internet, its online stores lack functions and efficiency, and customers do not fully feel the excessive convenience brought by online shopping malls. As smartphones are not yet popular, many customers lack the conditions to conduct online business transactions. These all lead the online mall business of United Freight to walk hard. Compared with United Freight, La La move has witnessed the rapid development of the Internet. La La move's online mall is powerful, efficient, and responsive, enabling customers to conduct online business very conveniently and quickly. It is also served by the proliferation of smartphones and the widespread adoption of the Internet. These are all essential factors for the popularity of La La move's online mall.

2.2 Economic Driver

In the last year before Consolidated Freightways faced its bankruptcy, there was something happened to the relationship between CF and its bondholders. This factor caused a chain reaction to the company's financial status, which is after a series of financial losses in 2001. It lost \$36.5 million, or \$1.64 a share, in the first quarter, and \$104.3 million, or \$4.74 a share, for all of 2001 [7]. Finally, one of the bondholders of Consolidated Freightways canceled coverages that relate to the company workers' compensation-related self-insurance program. What is more, it also canceled its coverage on vehicular casualty-related insurance plans. This action resulted in mistrust of lenders and possible investors and ultimately resulted in terminating or avoiding signing a contract with this company.

Table 1. Unemployment rate

Year	1930	1931	1932	1933	1934	1935	1936	1937	1938
Growth Rate	-8.5%	-6.4%	-12.9%	-1.2%	10.8%	8.9%	12.9%	5.1%	-3.3%
Unemployment	8.7%	15.9%	23.6%	24.9%	21.7%	20.1%	16.9%	14.3%	19.0%

Note: data in table 1 comes from the History of Recessions in the United States [8].

Since Consolidated Freightways was first introduced and funded in the US (1930), this company experienced 11 times of economic crises in the US market. From 1929 to 1938, the great depression took place in the US market two times during these 9 years. Unemployment reached its peak in 1934 and the growth rate showed an unstable or even negative trend.

Since the establishment of this company, it has experienced so many economic crises during the approximately 70 years of this operation, which was one of the main external economic factors that led to the economic instability within this company. Even though, this company was strong enough to survive after all these crises. This was still one of the main external economic factors that led to the economic instability within the company and eventually led to the loss of the bondholders' contract the year before the bankruptcy, as well as the loss of support from lenders and potential investors, which ultimately led to its bankruptcy.

According to Table 2, the financing experience of the company shows that the economic situation of the company is growing steadily while gaining the trust and support of more investors.

Table 2. The financing experiences

Time	Reference Institution	Money Amount	Round
01.21.2021	Sequoia Capital, Hillhouse, Boyu Capital, Tiger Global Management, Vitruvian Partners, D1 Capital Partners	\$1.5 Billion	F
12.22.2020	Sequoia Capital, Hillhouse, Shunwei Capital	\$515 Million	E
02.21.2019	Hillhouse, Sequoia Capital, Eastern Bell Capital, PV Capital, Shunwei Capital, Xianghe Business Consulting	\$300 Million	D

10.11.2017	Shunwei Capital, Xianghe Business Consulting, MindWorks Ventures	\$100 Million	C
01.10.2017	Xianghe Business Consulting, MindWorks Ventures, Crystal Stream, Blackhole Capital Limited	\$30 Million	B
05.31.2016	MindWorks Ventures, Crystal Stream, AppWorks, The Aria Group	\$10 Million	A
09.01.2015	MindWorks Ventures, Crystal Stream, AppWorks	\$10 Million	Pre-A
03.01.2015	Crystal Stream, Geekbang, MindWorks Ventures, Sirius Venture Capital, Aria Group	\$10 Million	Angle Wheel

Note: data in table 2 comes from Transform from resources to Capabilities, and set sail again [9].

It is necessary to point out that La-La Move has continued to be a leader in the industry in recent years, and its competitive market share has generated high economic returns for the company. According to Fast Data, from January to April 2019, La La Move ranked first with a market share of over 50%, Fast Dog Taxi ranked second in the Chinese market with a market share of 24.6% and the crosstown logistics market is highly concentrated, with La La Move and Fast Dog Taxi having a combined market share of 78% [10]. A higher market share not only brings more business opportunities for the company but also attracts more customers and investors.

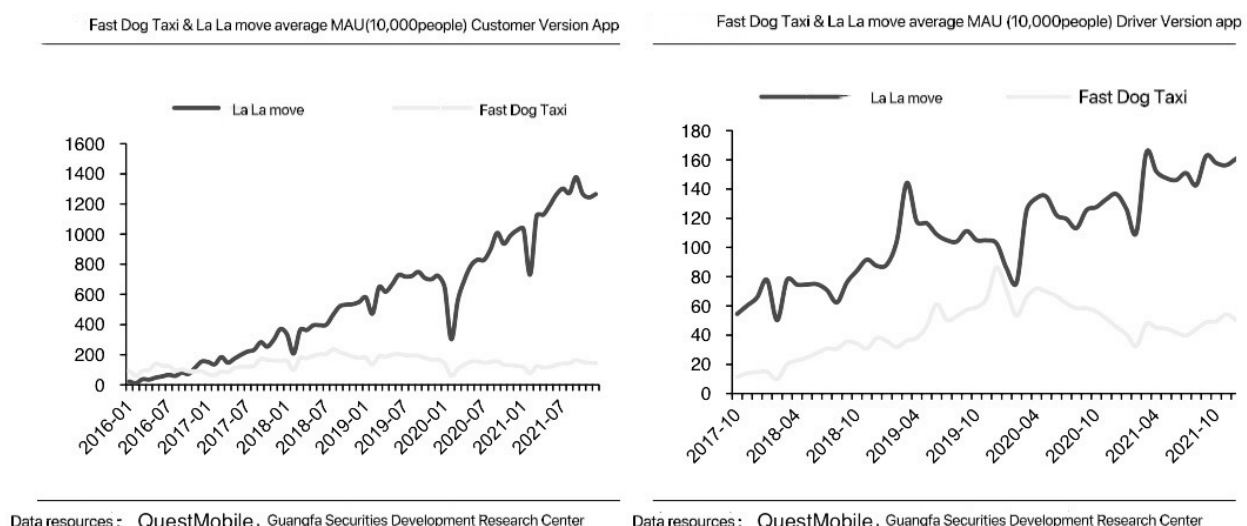


Figure 1. Market share by year

Note: Figure 1 comes from Industry Specialty Research [11].

Furthermore, delivery fees dropped significantly compared to a decade ago. Nowadays, registering for either customers or drivers does not cost any money. The prices for vehicles of La La Move drivers decrease drastically. Drivers can choose all kinds of vehicles they prefer, from minivans to big trucks.

In general, the strength of Consolidated Freightways Corp is that this company's solid assets and absolute market dominance enable Consolidated Freightways to survive for approximately 70 years. The economic environment in which the company operated was rough, but it continued to operate for about 70 years, demonstrating that its economic position was unassailable. However, it went bankrupt due to long-term unstable financial status, mainly caused by several economic crises, and investors' withdrawal of money lend to the company. La La Move, on the other hand, the logistic market was healthy when it was established. The cheaper and high variety of vehicles also contributes to the success of the company. More and more investors saw the potential of this company and started to invest in this company, and a virtuous circle was formed.

2.3 Social

Climate and geography lead to the unbalanced spatial distribution of resources. Among all the resources, metal mineral resources are mainly distributed in the western United States, non-metal mineral resources are mainly distributed in the central and western regions, and energy resources like petroleum and gas are mainly distributed in the central and western regions. Due to the characteristics of resources, the industrial sectors of different demands in the United States mostly built their businesses close to resources in order to make production more convenient, so there has been a certain geographical division of labor. However, with the expansion of production scale and the development of productivity, the economic relations and cooperation between various regions were becoming closer and closer, and the demand for the transportation of materials and resources was also gradually increasing. Road transportation with characteristics of high flexibility, fast transportation speed, and suitable for short-distance transportation came into being and developed rapidly.

Some parts of the United States are too mountainous to be reached by rail. Mountain terrain not only makes it difficult to reach by rail but also puts higher demands on road transportation, so there is a greater demand for trucks that can transport in the mountains. To expand into more areas, CF had developed a heavy-duty super truck for treacherous mountain roads.

The war contributed to the increase in profits. During World War II, the transportation demand for military supplies surged, and the construction of road network also got better development, so the business scope of the enterprise was expanded, and the scale of the enterprise gradually expanded.

Hong Kong has the advantage of geographical location as an international transportation hub. The founder of La La move first established its company in Hong Kong. With its geographical advantage, La La move can easily enter the mainland's market, and continue to develop the businesses in China's southeast coastal area in Shenzhen and Guangzhou, where the economy there is more developed. With these two cities as the bases, La La move can layout its transportation network in the whole country, and continue to expand the scope of transportation businesses. And due to its special geographical location, it can also enter the Southeast Asian market close by, and develop its businesses in international markets.

China's unbalanced regional economic development leads to a large population flow. Due to the rapid economic development and more employment opportunities in Shenzhen and Guangzhou at that time, there will be a large population inflow from rural to urban every year, and housing as a necessary demand for population migration can also stimulate the sustainable development of moving freight inside the city.

COVID-19 has indirectly boosted business. During the outbreak of the epidemic, there was a significant increase in shipments due to the need to transport large quantities of medical supplies. In addition, due to the influence of national policies, most residents are restricted to go out, and the demand for all kinds of daily necessities surged. During this period, many trucking companies have seen their volumes grow.

In general, uncontrollable factors promoted both companies' development, but the main factors that affected the Consolidated Freightways are geographical restrictions and the impact of industrial collaborative links, while La La Move is mainly with the aid of the geographical advantage, and under the influence of industrial agglomeration and population flow, therefore CF expanded new mode of transportation to better carry different types of industrial raw materials later, and La La Move continued to grow in the moving and logistics industries.

2.4 The establishment of simulation model

During the operation of Consolidated Freightways, all kinds of mobile devices hadn't been popularized yet. Online orders were too less to be counted as one of the main business branches of the company. Consequently, paper-made maps became one of the major installed bases that truck drivers relied on in order to fulfill their navigation needs. Furthermore, road signs could be utilized as a user installed base that also helps truck drivers navigate the road.

In the 90s, all truck drivers were aware of what kind of paper works needed to be prepared to enter different states in the US. In addition, at the end of the company's operation, an important act was enacted and led to the creation of one of the most important installed bases - the truck driver's license. On April 1, 1992, all drivers of trucks over 26,000 pounds were required to have a Commercial Driver's License [11].

Due to the limitation of technology at the time Consolidated Freightways was still in business, truck drivers had very narrow choices on what types of trucks they can choose. Most of the trucks were fueled by gasoline, as a result, the gas stations will be counted as an essential installed base.

The better-designed online platform aims to provide users with the most convenient method of placing orders. One of the main reasons for the slow update of the platform of the company mentioned above is that the company holds a very rigorous attitude before upgrading its platform, spending sufficient time and energy to carry out user research, competitor analysis, and business argumentation and other preliminary preparatory work, to ensure a high level of scientific research [12]. A mature and market requirement fitted platform is an important installed base of La La Move.

The GPS systems are used for helping the company's master server find the closest drivers for customers. The company's public campaign is: Five-star high-quality drivers, find the best suitable drivers for its consumers within 30 seconds, and drivers will arrive and wait for consumers within 5 minutes since consumers placed the order. What is more, GPS installed in drivers' mobile devices plays the role of navigating the road, GPS installed in users' mobile devices enables La La to move to collect users' location information.

The electronic vehicle is a growing trend in China's logistic and freight market, there are more and more drivers choosing to purchase electronic vehicles. Especially for inter-city transportation, the electronic car is extremely popular. It's cheaper than gasoline-fueled vehicles and charging fees are way less than gasoline prices. Last but not least, the gas station is also one of the most important installed bases for La La Move.

Generally speaking, La La move has a more useful installed base than Consolidated Freightways. During the approximately 15 years, improvement in the installed base helped explain why La La move succeed but Consolidated Freightways did not.

2.5 Regulatory

Furthermore, the regulatory policies of the market or the government also have a greater impact on the operation of the company. The ICC defined the freight routes that freight companies were able to route in the early days, which made the most aggressive expansion method for consolidated freights to acquire routes by acquiring other companies [13]. But it also created unintelligible trouble for consolidated freights, especially when it was discovered that the acquired subsidiary brought in more debt than it brought in value. During the Middle East oil embargo in 1970, soaring oil prices seriously affected the profitability of consolidated freight companies [13]. In the 1990s, the price war in the freight industry intensified as the ICC loosened its regulations on the freight industry [14]. This severely also affected the profitability of consolidated freights and led to the company having to be split for La La move, there is no need to acquire a freight route by acquiring a competitor. Secondly, according to the official documents of the government of the People's Republic of China, the Chinese government has interviewed several freight companies and made it clear that they will not allow companies to maliciously lower freight rates to compete and conduct reasonable supervision of various online transportation business platforms to ensure consumers and transportation. The legitimate rights and interests of drivers. In addition, due to the emergence of covid-19, La La move cooperated with the government to obtain transportation power to help various communities or social organizations to deliver necessary supplies. Even in the context of the global economic downturn caused by covid-19, La La move still has orders to execute to earn profits. Under the background of the current economic downturn and rising oil prices, Sinopec has provided La La move with fuel price discounts. According to La La move's official website, La La move can apply for a 25% fuel

discount given by Sinopec, which has helped La La move reduce operating costs and reduce La La move's operational burden, which can help La La move continue to survive to a certain extent.

Consolidated Freights had to acquire other companies to expand its transportation routes, further causing financial problems for the company. In the later period, the lax regulatory policies of the government made the phenomenon of malicious competition in the market more serious, which reduced the company's profits. The government has also been less supportive when oil prices soared, eroding profit margins. La La move, on the other hand, does not need to acquire companies to increase its transportation lines, and the government offers fuel discounts when fuel prices rise. During the COVID-19 period, La La move cooperated with the government and social organizations. Even in the economic downturn, La La move still had profits to earn, which could sustain the survival of the enterprise. Government policies and supervision are vital to an industry and a company, which can affect the operation of the industry, the profitability, and even the survival of a company.

3. Decision Making

Decisions to merge, expand and collaborate have promoted further growth. In 1929, Leland James merged four short-haul trucking companies in Portland, Ore. into one company and expanded his business by building transportation networks in Western America after World War I. In the 1950s, his successor, Jack Snead, expanded the truck production line and purchased manufacturing companies, Transicold Corporation and Tini-Glas Corporation, which greatly increased the company's sales.

Huge organizational complexity and bad acquisition decisions led to huge losses and bankruptcy. In 1960, the company lost \$2.7 million due to a rough integration of its business units. In 1999, the new CF company took on marginal freight, including freight from carriers that had gone out of business, and it invested heavily in new information technology systems. Since then, the company's earnings have declined each year and reached a loss of more than \$100 million in 2001 [15].

Fine division of the business to meet diverse needs. To better meet the different requirements of businesses and consumers. La La move launched an enterprise version for business users, and customized appropriate distribution solutions according to the various needs of different types of enterprises.

The application of Internet technology to facilitate data processing. In order to cope with the problems of continuous development of business volume, increasing business lines, and increasing total database volume, Hybrid Cloud Database Management has been implemented to achieve better and faster operation.

Focus on corporate image to enhance corporate reputation. La La move not only led to the release of the entire moving industry group standards but also distributed epidemic prevention supplies during the epidemic period for people to enhance its reputation in the industry.

4. Discussion

In our paper, we made comparisons between two companies in the same industry yet in different periods and societies in two distinctly different countries to determine how timing significantly impacted a company's success or failure. We evaluated how timing has affected their market and the demand for a specific service, such as transportation, and how these two companies made different decisions based on social factors and how that affected their success or failure. For example, La La move decided to be a more mobile app-based platform to contact the truck driver and the people requiring service, not having to have physical cars. In contrast, Consolidated Freightways was older fashioned, did not have a mobile app, and had organized physical cars and systems for transportation, instead of contacting drivers. Furthermore, we also compared the different aspects and factors such as regulatory, social, economic, installation bases, and most importantly, the timing had affected the success and failure of certain companies. Our inspiration came to from the invention of VR devices,

which was first introduced in 1968, yet it only became widespread and popular in the mid-2010s. The invention and the use of VR give us inspiration about the importance of timing and its effect on the successfulness of a product or a company or an industry as a whole. The policy change will be able to help with companies that have been "eliminated" because of timing, change in policy such as reducing taxes or giving them jobs from the government might help with their survival since the society no longer need them as they were needed before.

5. Conclusion

Road freight in China and the United States are affected by different factors, such as national conditions, social background, government policies, industrial structure, market structure, internal decision-making, and so on, and their respective development processes are different. However, although they have certain particularity in the process of development, there are some common points. They are all established and developed under the condition of following the law of the market economy, their development is closely related to the development of supporting facilities, such as road paving and information technology development, and they are all moving in the direction of lean operation and technological innovation. Classifying and analyzing the various factors of the establishment, development, and failure of representative road transportation enterprises can help researchers have a better grasp of the future development trend of the industry, and also help to explore the importance of investment timing in the development of enterprises in various stages and play a guiding and reference role for enterprises to make decisions, develop their corporations better and reduce decision-making mistakes. At the same time, as the policymakers play the role of guiding the development of the whole industry, the government's research on the development factors of road freight enterprises in China and the United States is also helpful for the government departments to play a reference role in the formulation of road transport policies, prompting the government to absorb the advantages of each other and improve its shortcomings to promote the long-term development of the industry.

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