

# Research on Influence of Sumsung Project on the International Logistics Development of Shaanxi Province

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**Abstract.** As one of the world famous transnational corporations, Sumsung Group has an important function on the regional economic development. This paper is to make a comparison of the current development situation, problems of international logistics of Shaanxi Province before and after of the entry of Sumsung project to point out the obvious drive and promotion of Sumsung project on the international logistics development of Shaanxi Province.

## Overview and reasons of Sumsung project

### General situation of Sumsung project

Sumsung Xi'an project is one of the most important investment projects of Sumsung Group in China. April 10<sup>th</sup> 2012, Samsung Electronics signed relevant agreement with Shaanxi Provincial, Xi'an Municipal Government and Xi'an High-tech Zone Administrative Committee, this strategic cooperation agreement includes important content of Samsung Electronics in China, mainly expressed as that the Korean Samsung Electronics settled its memory chips project in Xi'an High-tech Zone, and with the first phase investment of 7 billion dollars. September 12<sup>th</sup>, the 12 inches flash chips project started working, according to the report of Xi'an Evening News in May 2014, the Sumsung memory chips project was officially put into production on May 9<sup>th</sup> 2014, with over 1800 employees in the main production areas of Sumsung project, the factory construction has already been finished, the Sumsung flash chips project was finished smoothly. The project construction of Sumsung Electronic in Shaanxi Province is the largest scale foreign investment project of electronic industry since open-door to the outside world, it is also the largest scale high-tech project of Shaanxi Province and Western China.

### Reasons for the implementation of Sumsung project in Shaanxi Province

Production value of Sumsung Group in 2015 has broke through 10 billion, at the same time, its encapsulation testing project also was finished on April 14<sup>th</sup> 2015, thus showed that Xi'an High-tech Zone has already formed a complete semiconductor production chain. The Sumsung semiconductor construction was started in 2012, at that time, cities like Beijing, Chongqing in China wanted to introduce in the Sumsung project, but at the last, Xi'an got it, the logistics environment of Shaanxi Province is an important reason. Specific reasons are as follows:

### There are lots of Sumsung customers around Shaanxi Province, with concentrated logistics

The demand for Sumsung electronics around Shaanxi Province is very big, there are lots of main customers of Sumsung electronics, the logistics here is integrated, it radiates out from the important transportation hub-Xi'an, which can guarantee the rapid transportation and sales of Sumsung products.

### Shaanxi Province is with large talent reserve and also with relevant talent preferential policies

High effective logistics system guarantees the introduction and development of talents of Shaanxi Province, large number of talents provide enough human resources for the construction of Sumsung project and help the stable development of enterprises.

### As a logistics interaction, Shaanxi Province is with good overall facilities

Good-running electric power facilities and water supply plant guarantee the infrastructure of outside interaction of Shaanxi Province, which is good for the formation of semiconductor production line, it

aroused the attention of Sumsung Group with its ability to provide good transportation condition and communication equipment.

**Relevant preferential policy provided by Shaanxi Provincial and Xi'an municipal government guaranteed the development of enterprises.**

The implementation of *Developing Plan of Supporting Industries of Sumsung Project of Shaanxi Province* in 2014 promoted the construction of Sumsung project, it put forwarded the important requirements like “build one base, focus on two fields” and guided the communication of Sumsung company with the outer world, Sumsung Group plans to construct a technical information industrial base that can radiate out to the whole world by making use of the convenient logistics condition of Shaanxi Province. Relevant preferential policy of Shaanxi Province is benefit to the development of Sumsung project and it reduced the import and export tax, which further attracted Sumsung enterprises to build factory in Xi'an High-tech Zone.

**Logistics situation of Shaanxi Province before the entry of Sumsung project**

**Logistics situation of Shaanxi Province**

Modern logistics is a kind of service industry, not only including transportation fields, but also including information transportation, warehouse management, as an important logistic interaction connecting Eastern and Western China, Shaanxi Province occupies an important place in the Chinese logistic industry. In recent years, development of Shaanxi Logistics becomes more and more vigorous led by the economical and social development.

First of all, development strategy of “One Belt And One Road” directly promoted the development of Shaanxi logistics industry

Seen from the development pattern of Shaanxi logistics industry, with the expansion of “One Belt And One Road”, Shaanxi logistics industry also developed continuously, until March 2015, “Chang'an” has 71 shifts, which promoted the rapid development of the import and export logistics of our country, the gross export is over 0.14 billion Yuan, which greatly promoted the development of Shaanxi logistics industry, and formed logistics network with multiple ownership and service mode, and drove the development of Shaanxi logistics industry. From former research we know that the special transportation advantage of Shaanxi logistics is an important reason for the entry of Sumsung Group, Shaanxi Province connects the Eastern and Western logistics area, which can promote the rapid transportation of Sumsung products, thus attracted Sumsung Group to build factory in Shaanxi Province.

Secondly, economical development drove the logistics development of Shaanxi Province

Seen from the external supporting facilities of Shaanxi logistics industry, in recent years, logistics facilities of Shaanxi Province are increasingly perfecting, the development of transportation is the fastest, railway mileages in Shaanxi Province is increasing, so as the highway mileages, according to relevant data, the total volume of import and export trade of Shaanxi Province in 2014 is 168.53 billion Yuan, while that of 2012 is just 93.44 billion Yuan, the total volume of import and export trade in 2014 is increased by 50% than in 2012, the convenient transportation condition promoted the rapid development of Shaanxi logistics industry, which will inevitably promote the rapid construction of Sumsung project, capital flow and product export enhances each other to promote the development of Sumsung Group.

Thirdly, the third party logistics of Shaanxi Province develops slowly which restricted the whole development of logistics industry

The third party logistics (referred as 3PL) is relative in terms of the “the first party” consignor and “the second party” consignee. It is a kind of logistics state that finding a third party logistics enterprise to undertake the logistics activities of the company. 3PL neither belongs to the first party nor belongs to the second party, but to provide profession logistics service by cooperating with the first party or the second party, it has no commodities, also out of the buying and selling of commodities, but to provide seriation, individual and informationalized logistics agency service that restricted by the contract and based on alignment. With the development of information technology and economic

globalization trend, more and more products are circulated, produced, sold and consumed worldwide, logistics activities become more and more large and complex, and logistics organization and management methods of the first and second party cannot completely meet the social needs; meanwhile, in order to participate in international competition, enterprises have to establish core competitiveness, strengthen the management of supply chain to reduce logistics cost, outsource the logistics of the non-core business. Thus, the third party logistics arises at the historic moment.

Though as the hub of transportation and logistics of East and West, and has important transportation channels like Asia-Europe continental bridge and international airport of Xianyang, but because its economic development dimension is small and the whole logistics industry is relatively lags behind the well-developed regions, thus the development of the third party logistics of Shaanxi Province still exists deficiencies, the third party logistics is still at the introduction and promotion stage in the logistics development of Shaanxi Province, logistics outsourcing company only accounts less than 10% within the province, the whole development is slow.

At last, the international logistics development of Shaanxi Province lacks of driving force

Though Shaanxi Province occupies an important position in domestic, but it lacks of relevant industrial brand and enterprise drive, the international logistics scale in Shaanxi Province was small before the entry of Sumsung Group, the logistics gross is small, cannot drive the products in Shaanxi Province to overseas, go to the world, the capital flow, product flow and information flow of the international logistics was less, has no competitive advantages compared with domestic surrounding areas.

### **Problems exist in the logistics development of Shaanxi Province**

Under the influence of development situation of logistics in Shaanxi Province before the entry of Sumsung project, the development of Shaanxi international logistics exists problems. Make a general view of the Shaanxi logistics, it must break off the following bottlenecks to form a network all covering logistics information to lead Shaanxi logistics to be international and to realize international operation.

Firstly, small scale and low service level of Shaanxi international logistics

In order to promote the development of international logistics, Shaanxi logistics must improve the service level and mode that restricted by present system and concept, improve the whole service level, promote the standardization and integration of logistics engineering, promote the development of the third party logistics.

Secondly, the logistics cost is a little high

In order to promote the rapid development of Shaanxi international logistics, must solve the problem of high logistics cost, improve logistics management method, use the advanced international cost calculation and control standard to reduce logistics cost and improve logistics efficiency.

Thirdly, the basic transportation condition of Shaanxi international logistics is bad

Improve external logistics conditions of Shaanxi Province, though the transportation industry develops fast in recent years, its whole scale is still small and hard to meet the requirement of social and economic development, the utilization rate of highway in Shaanxi Province is low and distributed unevenly, the total highway in North Shaanxi and Shaanxi-Sichuan area is rare, transportation ability is low, which affects the further development and comprehensive coverage of logistics in Shaanxi Province.

Fourthly, lack of professional talents to construct logistics enterprises

Though with a large population, professional logistics talents in Shaanxi Province is less, which affects the professional development of logistics industry in Shaanxi Province. Fifthly, lack of funds to construct logistics enterprises, the whole fund amount is less, which affects the development of logistics in Shaanxi Province.

### **Influence of developing Sumsung project on international logistics in Shaanxi Province**

Since the implementation of Sumsung project in Shaanxi Province, net profit of Sumsung project in 2015 has already broken through 10 billion, greatly drove the economic development of Shaanxi

Province, brought in large number of professional talents, further speed up the development of logistics, mainly expressed in the following six aspects:

**Sumsung project promoted investment input, promoted the construction of international logistics development in Shaanxi Province**

The first phase investment of Sumsung project is 7 billion dollars, the estimated investment of the third phase is 30 billion dollar to promote the rapid development of Sumsung project, meanwhile, it will strengthen the whole economic level of Shaanxi Province, it also arouses Shaanxi Government's attention to highway and railway transportation, pay attention to the development of logistics enterprises, promotes the foreign trade of Sumsung Group by making use of the rapid logistics ability. The funds brought by Sumsung project solved the financial difficulty in logistics construction in Shaanxi Province and provided capital base for the logistics construction in Shaanxi Province.

**Sumsung project attracted relevant enterprises into Shaanxi Province and formed an integrated logistics chain**

Sumsung project attracted 88 supporting enterprises, effectively drove and improved the level of the construction of technical park for high-tech industry. This kind of supporting enterprises formed the integrated supply chain operation mode of "supply-production-sales", sell products all over the world through logistics network, which is good for the formation of integrated logistics chain. Promoting the better and rapid development of logistics enterprises based on guaranteeing its effectiveness and practicability and operation of the logistics.

**Sumsung project attracted large number of technical talents into the High-tech Zone, promoted the construction of logistics industry**

Logistics construction lacks of professional talents, the construction of Sumsung project attracted large number of highly-component talents into Shaanxi Province, large number of talents swarm into Shaanxi Province based on the good reputation and capital scale of Sumsung Group, and high welfare and high salary, which will bring Shaanxi Province a "talents spring" to promote the large-scale, integration and normalization development of logistics of Shaanxi Province.

**The international brand of Sumsung chips promotes the logistics activities of Shaanxi Province**

As a world brand, Sumsung Electronics has a good reputation, its entry in Shaanxi Province will promote the rapid development of economy of Shaanxi Province and promote the logistics in Shaanxi Province into the international trend, there is a large demand of Sumsung chips in the world, this will bring logistics of Shaanxi Province to be international and to make it more international and standardized.

**Sumsung project promoted the international logistics of Shaanxi Province to make it play its role of hub**

As an important hub connects Central West of China, large number of western products are transported to the east and North China through Shaanxi Province, the western products can only be sold to the overseas through Xi'an international land port and air port. Through the implementation of Sumsung project, the hub function of Shaanxi Province can be realized and to promote our western products to go into the world.

**The implementation of Sumsung project complies with our country's development strategy of "One Belt and One Road" and promote the economic prosperity**

Sumsung project chose Xi'an as its production base complies to our country's macro development strategy, especially highly matches with the present "One Belt and One Road" development strategy. Set "Chang'an" that connects Shaanxi Province and the Middle east as an example, since its officially open, it has already had over 71 shifts until now, achieved an export value over 0.14 billion, which greatly promoted the rapid development of surrounding cities, complies with our "One Belt and One Road" development strategy.

## **Conclusion**

In conclusion, as an important logistics city on the new Asia-Europe continental bridge, Xi'an is an important hub connecting the East and West of our country, also the start of new silk road. Though the

transportation scale is continuously extended in recent years, Shaanxi Province also has problems like small scale of logistics, lack of development funds and professional talents, while implementation of Sumsung project in Shaanxi Province is based on its important hub position and also promoted the large-scale, nationalization, standardization and integration development, promotes more talents resources, more funds input promotes the whole economy prosperous of Shaanxi Province. Therefore, the development of Sumsung project promoted the logistics development of Shaanxi Province, provided important opportunity and platform for Shaanxi logistics, bring of Shaanxi logistics to the international standards, promoted the connection of domestic and overseas logistics and greatly promoted the progress of international logistics of Shaanxi Province.

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