

Logistics/Ports - Asia-Pacific

Key takeaways from China express delivery expert call; price cut post CNY?

Industry Overview

Price cut likely post CNY, as per expert speaker

We hosted an expert call on China express delivery. Mr. Yifei Yang, a franchisee owner of both YTO (in Taizhou) and J&T (in Hangzhou), expects no price hikes during the CNY this year, citing risk of losing large clients. He believes that ZTO could lead another round of price cuts post CNY. He noted that the franchisees of Yunda as well as certain franchisees of ZTO could be impacted by ZTO's stringent delivery standards (and thus incur more penalty) in the regions he operates in. He thinks that franchisees of STO might be better positioned, as the headquarters has demonstrated that it is willing to sacrifice profitability for the benefit of network partners.

J&T most aggressive volume growth target

In regions that Mr. Yang operates in, he noted that J&T's franchisees were given the most aggressive volume growth targets for 2024 (+15% yoy), followed by ZTO (11%), while YTO/ STO/ Yunda less than 10%. The expert believes that J&T's growth target seems achievable through lowering prices and gaining market share, primarily from Yunda. The expert noted that, in his experience, J&T also incentivizes franchisees through higher bonuses. On the contrary, the expert said that he finds it challenging to achieve the volume target given by YTO (8%), as his profit would be impacted more by lowering prices than getting penalized by headquarters for not achieving the growth target.

Headquarters cut last-mile delivery fees from late 2023

The expert claims that express-delivery headquarters started cutting last-mile delivery fees in late 2023. The cut differs by region (e.g., delivery fee already down to RMB0.6 per parcel in Suqian of Jiangsu Province but remains RMB1 per parcel in Xiangshan of Zhejiang Province), while ZTO and YTO have cut more generally. The current ASP in Hangzhou (<0.5kg for merchants with daily volume of 300-500 parcels) is RMB3.5-3.8 for J&T and Yunda, RMB3.6-3.9 for STO, and RMB3.8-3.9 for ZTO and YTO. The expert believes that J&T could overtake Yunda in terms of market share but that it would likely take years for it to build brand equity in China compared with market leaders ZTO and YTO.

Franchisees could see lower profits in 2024

In 2023, the expert noted that he achieved over 15% volume growth for J&T and 6-7% for YTO. Yet, the profit he made was similar to 2022 due to higher labour costs and lower last-mile delivery fees, and he expects a lower profit (dollar amount) in 2024. He commented that around 10% of franchisees in his region are making thin profits or are close to loss-making. In 2023, 55%/30%/10-15% of his volumes were from Alibaba/Pinduoduo/live-streaming platform merchants, respectively. The mix in 2022 was 62-65% from Alibaba and 20% from Pinduoduo and no meaningful volume from live-streaming.

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ASP: average selling price

CNY: Chinese New Year

J&T = J&T Global Express

kg: kilogram

STO = STO Express

YTO = YTO Express

Yunda = Yunda Holding

ZTO = ZTO Express

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