

# A Study of Logistics Cost Optimization - A Case Study of Lalamove, Inc

Cui Shuo, Wu Yufei

Beijing Wuzi University, Tongzhou, Beijing

## ABSTRACT

In recent years, more and more people's moving and shipping needs of the Lalamove company's development has a very good role in promoting, in the first few years, Lalamove industry is almost a dominant, very popular with the majority of groups of people, there is a very good market; but in recent years, the Lalamove's service has been criticized by the consumers, there are signs of decline in the word of mouth. At the same time, in recent years, other companies are also developing, so that reached the same market position with the Lalamove company, so the Lalamove's position is precarious, its development is imminent. Therefore, in order to make Lalamove stand out from similar companies, quickly maximize profitability, and return to the former peak position, we should carry out logistics cost optimization research, without affecting other conditions, to minimize the logistics cost of Lalamove, to achieve the purpose of profitability.

**KEYWORDS:** logistics, cost optimization

**How to cite this paper:** Cui Shuo | Wu Yufei "A Study of Logistics Cost Optimization - A Case Study of Lalamove, Inc" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-8 | Issue-5, October 2024, pp.839-841, URL: [www.ijtsrd.com/papers/ijtsrd69440.pdf](http://www.ijtsrd.com/papers/ijtsrd69440.pdf)



IJTSRD69440

Copyright © 2024 by author (s) and International Journal of Trend in Scientific Research and Development Journal. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0) (<http://creativecommons.org/licenses/by/4.0>)



## I. PREAMBLE

Conducting a cost optimization study is a highly effective way for Cargo Laundry to use a cost leadership strategy to develop and build a resource advantage and make itself more profitable than the industry average. Cost optimization is the process of researching the lowest possible costs in sales, service and advertising. Low cost is a special kind of differentiation through which a competitive advantage can be gained and high profits obtained. We can use a variety of ways to achieve this purpose, such as mass production to reduce costs, and other companies in the same industry compared to its cost down to a very low, and then to a far lower price for the market, can quickly catch the eye of consumers to win a large area of the market, so that the company in the market to stand out, so as to increase consumption, thin margins, to obtain huge profits. It is also possible to set the same price with similar companies, as far as possible to reduce costs to a very low level, through the gap between the two to maximize profits.

## II. The current situation of the caravan

Lalamove is a logistics network APP. Since its entry into the market in 2014, it has immediately carried out large-scale development. It can pull various resources of the comprehensive society through the sharing mode, provide some services such as moving, renting cars, pulling goods, and has a wide audience. With the development of the Internet in the next few years, Lalamove Company began to use the Internet to collect resources and contact buyers and sellers, and arrange the order of goods pulling through the network big data to make the whole process orderly.

From the beginning of the issuance to March 2023, Lalamove company has been showing an upward trend, its business scope includes the same city, cross-city transportation, moving business, car rental, LTL business and international logistics, has a high market position. However, in recent years, there have been many problems in the industry, and the feedback from the market is not as good as before. 2020, there was an incident in which a customer was asked by a driver to pay an exorbitant fee, and in the process of mediation, there were inappropriate remarks made by the customer service staff. 2021, there was an incident

in which a customer jumped out of a car and died in the process of moving, and as a result, there was a mediation incident in which the Bureau of Transportation and Communications conducted a mediation meeting with the upper-level personnel of Lalamove Company. In the same year, the collection of data can be obtained, about the Lalamove company's complaints up to 3,000, most of the complaints about the contents of compensation, extra charges, etc. In April, Lalamove company forced drivers to stick body advertising on the hot search, triggering a lot of attention. As of today, the total number of registered users of Lalamove more than 30 million, more than 3 million registered drivers. More than 70% of the Lalamove driver monthly revenue in 6000 yuan, drivers need to pay 499-699 yuan monthly membership fee, the driver's real income of about 200-300 yuan per day.

Faced with the situation of "too many wolves and not enough meat", ie., fierce competition, high commission rates, multiple charges, cargo safety and other problems, they have been interviewed by the regulatory authorities many times, and penalized by the traffic and transport authorities more than 20 times in connection with the protection of the rights and interests of drivers and fair competition in the market. Drivers are dissatisfied with the platform's low income, delinquent fees, high commission rate and membership fees, and are worried that the platform's cooperative system may harm their own interests. Lala's social image is not ideal, with some negative reports and complaints. The sustainability of profitability is unknown. The balance between drivers' interests and the platform's growth has not been resolved.

### **III. Why cost optimization studies are needed ?**

#### **3.1. The current market share is very high**

According to Frost & Sullivan's data, cargo pulling company in the first half of 2024 market share of 53.9%, while its competitors drop freight 2024 market share of only 0.7, from which you can see the cargo pulling company's market share is far more than peer companies. It is because of the Lalamove's market share is very large, the user can be in a variety of counterparts in the choice of the company firmly choose Lalamove company, in this case Lalamove company in the past few years has a large number of customers, and it is deeply favored by the users. At present, a large number of registered users, proving that the user is still very trusting Lalamove industry, Lalamove still has a stable customer base. On the other hand, Lalamove's large market share gives the company more bargaining power than other

companies and allows it to gain a great deal of profit in the transaction. In addition, a larger market share can spread the cost over a larger production base, achieving economies of scale. So the opportunity for cost optimization can be very well exploited, resulting in even greater benefits, the icing on the cake.

#### **3.2. The industry's reputation has declined**

After a number of incidents caused by the improper operation of Lalamove, Lalamove la industry reputation fell a lot, cost optimization research, can make Lalamove la company in an unfavorable environment but still carry out logistics operations and profit.

#### **3.3. The company's profits are insufficient to distribute salaries to its employees**

The current number of drivers on the Cargo platform is 9.2 million. As of December 31, 2023, there will be a total of 9.2 million drivers on the platform. Lalamove company employs a large number of drivers, but less profitable, so, the more monks, the less porridge, the driver's wages can not be guaranteed, if you do not strengthen the company's profitability, and ultimately likely to lead to a collective strike of the drivers, the company will cause an indestructible impact. In this case, minimizing the cost and making the company more profitable than ever is a good solution.

#### **3.4. Revenue growth has provided a favorable environment**

From 2020 to 2022, the total revenue of Lalamove was \$529 million, \$844 million and \$1,036 million, with a compound annual growth rate of 39.9%. 2023, Lalamove's revenue reached \$1,330 million, a year-on-year growth of 28.8%. This shows that in recent years the Lalamove industry has a good development situation, the development prospects are also very good, cost optimization research can catch the advantage of the situation, for further profitability.

### **IV. Regarding the optimization countermeasures of logistics costs**

#### **4.1. Building a high-quality modernized logistics service system**

Due to the customer, driver and platform of Lalamove the three parties can not cooperate and communicate the problem, resulting in logistics and distribution efficiency decline, platform reputation damage, so that the logistics cost increase, the platform revenue to produce a greater loss. For this reason, combined with the current problem, the construction of information sharing, resource integration, process optimization of the new logistics management model is particularly important. For example, in the face of a variety of customer demand, to share information across the platform to meet customer demand in a

timely manner. Through the integration of supply chain upstream and downstream cooperation mode, from the customer's point of view to meet the logistics services.

Customers' needs are diverse, and multiple order entry can be used to integrate resources. For example, the enterprise app is used to cover the transportation capacity resources of 900 thousand monthly drivers in 360 cities across the country, and the whole platform has up to 24 models, with transparent quotations, to meet the diversified needs of customers who have cars at any time, on call, and any car. In addition to APP, it also uses applets, PC terminals and APIs to customize data interfaces to improve customers' digital capabilities.

#### 4.2. Adoption of an intelligent logistics operation model

The car demand of freight pullers in different cities is different. For some group customers with large car demand, use big data to enable the enterprise version sub parent account function to uniformly manage the needs of customers across the country, so as to achieve real-time monitoring of car data and control of expense limits. At the same time, new technologies such as the Internet of Things, cloud computing and blockchain can realize platform based management. For example, by using the monthly settlement account in the APP, employees can use the car first, and the company will issue invoices and make payments on time. This method ensures the accuracy of the data, and is both worry free and compliant in the management of financial data to achieve double efficiency, which is conducive to cost reduction and efficiency increase of logistics.

#### 4.3. Strengthening the supervision and inspection of cost optimization and control

Lalamove need to establish a complete logistics supervision system, emphasizing results-oriented at the same time, but also in the logistics service in the whole process of dynamic supervision, in terms of service quality and product quality, the establishment of after-sales protection channels, so that each customer's demand can be resolved. For example, customers can use online customer service for the driver to take orders after the contract, handling when the price, bad attitude in disputes, etc., complaints, Lalamove set up a supervision team at any time, place, in any way to review the situation, if the

situation is consistent with the driver for accountability, according to the agreement on compensation for liquidated damages. Strict logistics supervision program needs customers, drivers and platforms, multi-party cooperation, in order to accurately reduce after-sales costs.

#### V. To summarize

In summary, the optimization of cost management in the logistics market is of strategic significance to enhance the competitiveness of the enterprise and further realize sustainable development. Lalamove in the face of complex market environment and high operating pressure, must continue to innovate and optimize the cost management model. This paper is based on the current market "cost reduction and efficiency" concept, management costs, to maximize returns. The use of intelligent mode, building a modern logistics system for business empowerment, the use of advantages and strict supervision and management of performance, the real realization of efficient management of logistics costs.

#### References

- [1] Wang Menghan, Zhao Na. Research on Optimization of Logistics Cost Management -- Taking H Product Processing Factory as an Example [J]. China Logistics and Procurement, 2024, (16): 52-54. DOI:10.16079/j.cnki.issn1671-6663.2024.16.037
- [2] Zhao Guanbing, Lu Ying. Research on Cost Optimization of Cold Chain Logistics Enterprises in Market Operation [J]. Chinese and Foreign Corporate Culture, 2024, (07): 110-112
- [3] Meng Xianyan. Logistics cost management problems and optimization countermeasures based on supply chain [J], China Aviation Weekly, 2024, (30): 69-71
- [4] Zhang Chunlei, Optimization of Regional Logistics Distribution Management Mechanism from the Perspective of Cost [I], China Logistics and Procurement, 2024, (13): 73-74. DOI: 10.16079/j.cnki.issn1671-6663.2024.13.022
- [5] Huang Yujin. Research on Cost Management Optimization of Cold Chain Logistics Enterprises [D]. Guangxi University, 2024