CJ Korea Express: Senior Parcel Delivery

Company Description

The CJ Korea Express is the product of the CJ Group and of Korea Express - the first Korean logistics company founded in 1930- coming together. 78 overseas bases in 22 countries are in place, with 5,300 employees. Total sales amount to 5,720 Million USD (as of 2015). Historically, the root logistics company acted as the main gateway for imports and exports, handling several vital logistical events which led it to becoming a champion for Korean economic growth. The four business areas of the CJ Korea Express consist of: Contract logistics, Parcel delivery service, Maritime business and Forwarding service. The company is now rapidly growing into a global, integrated, logistics company that aims to be one of the top 5 global companies in the field.

The Opportunity

If the current trends are kept constant, the OECD estimates Korea to become the second “Oldest” country, just after Japan, by 2050. According to Statistics Korea (KOSTAT), the ratio of the senior citizen population (over 65) to the entire population exceeded 12.2 % in 2013, and is forecasted to reach 37.4% in 2050. The Aged Dependency Ratio, which is the number of retired persons divided by the number of the working population, is increasing sharply, estimated to reach 20.0 % in 2018 and 57.2 % in 2040. Moreover with the “Aging Society” phenomena, the negative effect of being out of the workforce has become a big social issue, where some senior citizens are exposed to a sense of social isolation and loneliness, poverty and economic sufferings.

To turn to another problem, at first seemingly distant, the express business sector was faced with an existing shortage of delivery staff and challenged by difficulty in providing effective delivery services to secluded distant areas or to narrow alley towns, where normal delivery vehicles could not easily reach or gain access. As routine, private delivery vans or Call-van services, commissioned at high prices, were used in these instances.

To respond to the prospective social needs of the aging society and to create a business opportunity, the CJ Korea Express recognized these two distinct problems and, using its strong foundation in logistical operations in the express business, established the “Senior Parcel Delivery” in 2013 with joint partners.

The Strategy

In 2007, several domestic parcel delivery companies started to create delivery jobs for seniors in response to corporate social responsibility. However, with an inefficient operating system and a lack of systematic partnerships with stakeholders, steadfast decline in the productivity ensued. On this basis, CJ considered a new sustainable model, able to create economic and social values at the same time.

Local cluster development

A model of unique partnerships was created. An independent logistics company named Senior Total Distribution Service Inc. that operated in partnerships with the Korean Ministry of Health & Welfare (MoHW) and the Busan Municipal Government was born. Currently, there are four affiliates, including Seoul, Incheon, and Gyeongnam, in addition to Busan. Each playing its role, the CJ Korea Express is responsible for training senior employees, providing eco-friendly easy-to-drive electric carts, and offering SCM consulting solutions; while the Ministry of Health and Welfare provides the company with expenses in operation and marketing; and the Busan Municipal Government provides the business site and reduction in its rental fees.
The Senior Total Distribution Service Inc, accredited as a “Senior-Friendly Enterprise,” enjoys a variety of incentives, including a 0.8 million USD of government subsidiary provided to the three affiliates (excluding Incheon).

Redefining productivity in the value chain

Establishing delivery bases near apartment complexes and residential areas not only reduces the delivery time for the senior staff but also increases customer accessibility, building a base for future business models.

To increase productivity, the CJ Korea Express introduced special electric carts made easy to drive for seniors. These environmentally friendly carts emit zero carbon emissions and enable delivery through alleyways where normal delivery trucks could not enter.

Results-Value for Business and Society

Business results:
- By diversifying delivery methods through the expansion of Senior Parcel Delivery and of local delivery bases, CJ Korea Express could process additional 4 million parcel boxes per year which increased annual sales by 2.6 million USD without establishing additional Delivery Terminals (0.4 million USD in construction cost per terminal, 0.3 million USD/year in operation cost). 1 million USD was reduced from the total expenses by 2016.
- The Senior Parcel Delivery, as a way of diversifying existing delivery method, enables the CJ Korea Express to promptly and efficiently react to events of unexpected oversupply.
- After introducing the electric carts, the number of parcels delivered each day increased from an average of 33 boxes to 56 boxes. (While 200 boxes are delivered by regular delivery staff each day, hiring 4 senior staff can produce the same output.) This raises the competiveness of the senior workers and solved a shortage of delivery workers in certain areas.

Social results:
- By March 2016, 560 new jobs for seniors have been created.
- On top of pensions, senior staff can earn a stable source of monthly income as well as the added benefit of government subsidiaries for market workforce participation. The total is estimated to exceed the average living cost of seniors by 14%, supporting seniors with better financial independence.
- The reincorporation into the workforce not only established an economic benefit for the senior staff but a sense of dynamic social belonging. As indicated in a survey, 90% of the senior staff expressed “satisfaction” about their work and 70% said they would recommend their work to other seniors.
- Turning away from gasoline usage, the electric carts introduced by the CJ Korea Express do not produce any direct greenhouse gas emissions. This merges successfully with the global endeavor to reduce greenhouse emissions and Korea's low-carbon green growth strategy.

Lessons learned, Challenges and Outlook

The unique model put forth by the CJ Korea express and its partners instituted a sustainable profit-creating business model offering new jobs for seniors in an aging society and meeting environmental needs, as Korea’s first senior parcel delivery service based on CSV.

There are still opportunities to improve productivity; one is through the expansion of the business itself. The senior parcel service, which is currently limited to the Busan, Gyeongnam, Seoul, and Incheon areas, is to be expanded nationwide.

- By 2016, the company plans to create 1000 more jobs, establish 130 more regional delivery bases and provide 400 more electric carts.
- To further reduce delivery time, creative solutions are to be sought after where existing regular delivery staff and senior staff can share logistics or work together in meaningful ways to produce systems of synergy.