

# Business Analysis of Business Competition of COSCO

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## Abstract

COSCO Group represents Chinese shipping companies and symbolizes the development of China's shipping industry. The business analysis of COSCO Group's business competition can enable us to have a deeper understanding of all aspects of the problems of a powerful shipping company and to learn more about how a successful company operates. COSCO Group's development strategy comes from the shipping development plan of the entire country of China, which is the most representative state-owned shipping company. Based on the analysis of COSCO Group's current development status and core competitiveness, this paper will analyze the threats COSCO Group has been subjected to in the development process and suggest suggestions. The core competitiveness is not just a slogan but has real guiding significance for practice. Based on the analysis of COSCO Group's current development status and core competitiveness, this paper will analyze the threats COSCO Group has been subjected to in the development process and suggest suggestions. The core competitiveness is not just a slogan but has real guiding significance for practice. This paper holds that the success of COSCO Group is closely related to the development of China's transportation industry, and the development of COSCO Group can promote China's economic development to a large extent. This paper holds that the success of COSCO Group is closely related to the development of China's transportation industry, and the development of COSCO Group can promote China's economic development to a large extent.

## Keywords

COSCO Group, SWOT Analyze, Economic Development

## 1. Introduction

This report mainly introduces the analysis of COSCO Group's corporate compe-

tition business, gives a more detailed introduction to COSCO's business scope, and then analyzes the market competition of COSCO Group. By searching data within the past 10 years, we can find that the group has a more intuitive understanding of the competition in different business areas. Finally, we analyzed the competitiveness of COSCO Group, made a SWOT analysis of COSCO Group, and finally reached a conclusion and gave relevant suggestions.

The structure of this article is as follows. Firstly, the business scope of COSCO Group is analyzed, and then the competitiveness of COSCO Group in each market is analyzed and summarized based on this. The SWOT model is used to analyze the competitive ability of COSCO Group and find out its most competitive part and various development opportunities. Of course, opportunities are always accompanied by threats, and this article will also make suggestions for these threats.

SWOT analysis is the most common method in strategic analysis. SWOT analysis, or situation analysis, is to list the main internal strengths and weaknesses and external opportunities and threats closely related to the research object through investigation, and arrange them according to the matrix form. Then, with the idea of systematic analysis, various factors are matched and analyzed to draw a series of corresponding conclusions. And the conclusion is usually decision making. Using this method, the situation of the research object can be studied comprehensively, systematically and accurately, and the corresponding development strategies, plans and countermeasures can be formulated according to the research results.

This paper finds out relevant data and detailed information from the official website of COSCO Group and the official website of the Chinese government, summarizes the current situation of COSCO Group, and uses SWOT analysis method to analyze it, and finally draws a conclusion.

## **2. Business Analysis**

### **2.1. COSCO Group's Business Scope**

COSCO Container Lines Co., Ltd., referred to as COSCO Container Lines, is one of the world's leading integrated container shipping service providers, with customers worldwide. As of the end of 2007, COSCO Container Lines had 143 full container ships with a total container capacity of more than 430,000 TEUs; the company operated more than 80 international and dozens of domestic routes. Ships call at over 100 ports in more than 30 countries and regions worldwide. The container transportation business covers the world, with more than 400 agents and branches worldwide (M2 Presswire, 2010). There are nearly 300 freight forwarders in China. Outside the country, its outlets cover the five continents of Europe, America, Asia, Africa, and Australia.

COSCO Shipbuilding Engineering Group Co., Ltd. is a COSCO (Group) Corporation subsidiary. It is a large-scale enterprise group focusing on repairing, refitting and constructing large ships and marine engineering and inte-

grating ship repair and building facilities. In Nantong, Dalian, Zhoushan, Guangzhou, Shanghai and other places, there are many leading domestic and internationally well-known large-scale shipping companies and many professional ship-supporting service companies. Based on professional services and modern management, COSCO Shipping has become the preferred partner of world-renowned shipping companies and offshore oil service providers along the coast of China (Van Marle, 2014).

COSCO (Hong Kong) Group has formed ocean dry bulk transportation, container leasing, terminal and industry, real estate, infrastructure investment, construction industry, energy industry, logistics, information technology, metal material processing, ship trading, marine fuel spare parts material trading, ships Pillar industries and industrial sectors such as agency and freight forwarding (Guo, 2018). The scope of business also involves finance, insurance brokerage, tourism and hotels.

- Container shipping and related businesses. The total capacity of COSCO Group's fleet ranks among the top in the world. It operates more than 150 ships with a total capacity of more than 560,000 TEU (2016).
- Dry bulk shipping and related businesses. COSCO Group has the world's largest dry bulk shipping fleet, operating more than 450 ships, and its actual control capacity exceeds 36.57 million deadweight tons. At the same time, due to China's Strong support for COSCO Group; COSCO Group also has leading management Ability and vital customer resources.
- Logistics business. COSCO Group is the most competitive logistics service provider in China.
- Terminals and related businesses. COSCO Group's terminal business throughput ranks fifth in the world, and it invests in and operates 28 terminals worldwide.
- Container leasing business. The size of COSCO Group's container fleet ranks second in the world. At the same time, it owns and manages more than 1.58 million TEUs, and its market share is as high as 14.3%.
- Container manufacturing business. COSCO Group is the world's largest container manufacturing company, with a global market share of more than 50%.

## 2.2. COSCO Group's Market Competition

### 2.2.1. Shipping Market

Affected by the weak recovery of global economic and trade activities, the shipping market continues to be in a downturn, the scale of shipping capacity exceeds demand, the merger and integration of shipping companies, and bankruptcy and reorganization have brought profound changes to the market competition pattern. The previous situation is that both the Baltic International Dry Bulk Freight Index (BDI) and China Export Container Freight Index (CCFI) hit a record low in 2016. At the same time, in 2017, the overall imbalance between supply and demand in the shipping market is still challenging to achieve sub-

stantial improvement. With the decrease in new ship orders, the future supply and demand gap is expected to narrow gradually, and the industry is initially showing signs of warming.

### **2.2.2. Ship Leasing Market**

In 2016, the international shipping market continued to be sluggish. Affected by the long-term supply and demand imbalance in the shipping market, shipping companies became more cautious in terms of new capacity and ship trading. Some mainstream European shipping financing institutions gradually withdrew from the shipping financing market, and the ship leasing market was generally compared to 2015, showing a downward trend. At the same time, the Opinions on Accelerating the Development of Modern Shipping Service Industry issued by the Ministry of Transport, PRC further defines the goals and directions for the development of shipping finance. It is expected to bring better promotion to the development of the ship chartering industry.

In recent years, the ship leasing business has shown a growing trend in quantity and scale. The leasing business's share of the global shipping financing market has been increasing yearly, which has played a strategic role in promoting the development of the shipping industry. Ship financial leasing has become a vital financing channel for Chinese shipbuilding and shipping companies.

### **2.2.3. Container Leasing and Manufacturing Market**

In the general environment of a weak world economy, weak recovery and the continued downturn of the shipping market, the container leasing and manufacturing market have continued the previous downturn. Facing the severe business environment, the investment of container leasing companies and shipping companies in new containers tends to be cautious. According to Drury Maritime Research, the global container market size was about 38 million TEU by the end of 2016, of which container leasing accounted for about 47.8 percent. In 2016, the global production container volume was 2.17 million TEU, a decrease of 25% from 2015. The container leasing industry is an industry with a relatively high market concentration. As of the end of 2016, the number of containers of the top six leasing companies exceeded 1 million TEU, accounting for more than 85% of the total container fleet in the container leasing industry. The global container manufacturing capacity is about 6 million TEUs. The overall industry has overcapacity, and market competition is fierce.

### **2.2.4. Non-Shipping Financial Leasing Market**

In 2016, the financial leasing industry developed well, and the number of enterprises, industry strength and total business volume achieved more extraordinary breakthroughs than the previous year. Financial leasing has both financing and financing functions, meeting the dual needs of enterprises to update equipment and raise funds. The financial leasing industry has received extensive attention in recent years due to its unique advantages and has been elevated to a strategic position of serving the real economy. Currently, China is promoting the im-

plementation of the One Belt One Road, Marine Economy, Industry 4.0, and Made in China 2025 strategies. The fields involved are closely related to the real economy, opening a broad space for the development of the financial leasing industry. In the past five years, China has also issued a series of guiding opinions and favorable policies at the national level to promote the healthy development of the financial leasing industry, which has promoted the industry's rapid development and business innovation.

### 2.3. COSCO Group's Competitiveness Analysis

To analyze the competitiveness of COSCO Group, we can use the SWOT model to analyze.

#### 2.3.1. Strengthens

Large brand effect and large scale of enterprise.

The continuous improvement of COSCO Logistics' decision-making ability, corporate management level and capital operation ability determines its current leading position in the domestic logistics market.

Wide business coverage

In terms of network layout, integrating the advantages of COSCO Group's expansion of its global freight network has formed a full-featured logistics network system, including shipping, railway, highway, and air transportation (Jiao, 2017). It has signed long-term cooperation agreements with more than 40 foreign freight forwarding companies and established more than 300 business outlets in 29 provinces, cities, and autonomous regions.

Advanced information technology enables the information network to cover the whole area. With an extensive and modern information network system, COSCO Group optimizes operating costs in the infrastructure network, enterprise service network and information resource network to provide customers with more efficient logistics services (MENA Report, 2017). At the same time as the rapidly expanding logistics business, COSCO Group has invested in actively building the hardware environment to use necessary customer resources fully. Thus, a modern logistics distribution network system covering the whole country with a high service level is built, which fundamentally reduces the logistics transportation cost and realizes the large-scale logistics operation.

#### 2.3.2. Weaknesses

1) There are many businesses involved, and the unclear positioning of the advantageous market leads to low corporate benefits

COSCO Logistics currently focuses on developing markets such as home appliance logistics, automobile logistics, power logistics, petrochemical logistics, exhibition logistics, and retail industry logistics. It is not limited to marine transportation because of each industry's different service content and characteristics and COSCO's past. These areas are not involved, so we consider that the company will have the disadvantage of too much business but not being sophisticated.

#### 2) Insufficient level of risk management

Since COSCO is integrating information on a global scale, it must screen, process and process complex and diverse information. At the same time, it has high technical requirements for enterprise risk management. Once the information cannot be coordinated in time, it will bring the company. However, COSCO lacked emergency plans regarding information risk prevention and management. It did not provide a specific risk-handling system for emergency events, which may pave the way for future risk-handling.

### **2.3.3. Opportunities**

#### 1) Economic benefits brought by globalization

In the first 30 years of the 21st century, the world economy and trade are expected to maintain stable and continuous growth, which will provide a stable and expanding market space for the development of shipping, logistics and related industries on a global scale.

#### 2) China's rapid development

The ambitious goal of building a moderately prosperous society in 2020 will determine the growth rate and scale of demand in China's shipping, logistics and related industries. It will provide sustained development momentum for China's shipping logistics companies, including COSCO, for a long time.

#### 3) Huge potential market demand

Regarding market demand, China is currently one of the most economically dynamic countries in the world and the world's largest consumer market. Many multinational companies are shifting business to China and reducing supply chain costs through outsourcing logistics.

### **2.3.4. Threats**

1) The management chain of the collection system is too long, and the response speed is not enough.

This can be said to be a common problem of Chinese state-owned enterprises. In the management of enterprises, the decentralization of power can easily lead to the insufficient ability of enterprises to deal with different risks.

#### 2) International oil prices continue to rise

The current global crude oil prices continue to rise, causing more shipping companies to invest more money to find new energy sources that can be used to save costs.

#### 3) Stakeholders continue to increase the proportion of shared benefits

With the continuous expansion of business, COSCO Group has more and more customers. At the same time, the bargaining power of customers is also increasing, including service level, flexibility, innovation requirements, cost control and personalized customization requirements.

## **3. Recommendations**

1) Identify the company's positioning, determine its short-term and long-term

goals, discard unnecessary business content, and invest heavily in areas with which the company is familiar.

2) Concentrate efforts to integrate the enterprise's resources, adjust the enterprise structure, and make the enterprise more suitable for business development. Strengthen the informatization construction of enterprises and enhance the brand awareness of COSCO Group on a global scale.

3) According to customer needs, tailor-made services for customers provide more complete and differentiated value-added services and improve the ability to respond quickly and meet customers' special logistics needs.

4) While maintaining the existing market, open up markets in Europe and America, provide services for more diversified customer groups, and increase the company's global market share.

#### 4. Conclusion

Through the above analysis, we can feel that COSCO Group has a significant advantage in business competition. The biggest reason is that the company is closely related to the development of China. COSCO Group represents the highest level of China's shipping industry, so the problems of COSCO Group are also the problems of most state-owned enterprises in China. The current primary goal of COSCO Group is to integrate the corporate structure and build a more transparent and efficient enterprise.

#### Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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