The Game and Risk Control of Three Parties in Logistics Finance

Naizhang Zhai, Eric McDermott*

1325 North Lincoln Ave, apt2006, Urbana, IL, The United States, 61801
*corresponding author: Eric McDermott 214 David Kinley Hall, 1407 W. Gregory Drive, 1407 W Gregory Dr, M/C 707, Urbana, IL, 61801

ABSTRACT
Small and medium enterprises are an important part that forcing China's economic and social development. It is true that giving promotion to the development for small and medium enterprises is a crucial basis for China to keep the economy and politics stable, offering them a rapid development and strategic tasks for China to keep the livelihood of the people and the stability of the society. However, it is true that more than the half of the small and medium enterprises have to face the difficulties that the financing would be resisted in the reason of the restriction coming from the financial sectors. The financial crisis in 2008 sweeping around the world had made the finance in the world weak and then has further exacerbated the problem, making small and medium-sized enterprises have been facing danger and crisis of survival according to the breaks of funding strand coming from the bank and financial sectors. In the way of finding the way to help small and medium-sized enterprises find places to get access to finance, it has become the main target for the society to keep concentration on. While the business of logistics has become popular in recent days considering the fact that the purchase of online shopping has been a hot topic in the society. People are all going to set like to buy things online and find out the pleasure and convenience that the goods flying to them. The companies aiming for the logistics have found out the big money in this sector and would like to make the business as big as possible. In fact, it is true that the market of the logistics is going to be fulfilled and the business men should go and find another piece of cake to looking for.

The emergence of the logistics and financial business, effectively alleviate this problem, widely recognized by the industry and academia. Logistics finance, as a new thing that appears in nowadays, has been referring to many institutions such as the banks, financial institutions and logistics companies. The three, that is the banks, financial institutions and logistics companies have been working together in order to make it real and launch a range of financial products, which is created a financial institutions and logistics companies have been working together in order to make it real and launch a range of financial products, which is created a

1. THE INTRODUCTION OF LOGISTICS

When mentioning the word of logistics, it is generally to be detailed as the organization and implementation of a complex operation. Speaking in the sense of the general business, logistics is the way that being in the mediate and flow between the place of the origin of the goods and the point of the delivery for the customers or the corporation considering the fact that the goods are going to meet the requirement of the customers or the corporations. The items of the logistics may include foods, materials, equipment, and other stuffs that may be purchased by the customers. Considering the fact that the tangible goods that are delivered according to the logistics, the logistics of the physical items usually contains and involves the combination of the goods and information flow, materials handling, production, packaging, inventory, transportation, warehousing, and often security.[1]

Different from the business sector, the logistics plays an important role in the military sector ans science sectors. The development of logistics enterprises is based on transportation, and road transportation is one of the important components of transportation. In terms of the development of road transportation in recent years, great results have been achieved, as long as it is scientifically and rationally Combined with the operation of logistics enterprises, it can effectively improve the economic benefits of logistics enterprises and promote the sustainable development of logistics enterprises. The so-called safe transportation capacity refers specifically to the logistics enterprises' careful analysis and analysis of the actual transportation capacity and potential transportation
capacity of the enterprise when doing resource allocation, and finally to obtain a reasonable resource allocation method to promote the effective development of logistics enterprises. The actual transportation capacity and potential transportation capacity of a logistics enterprise are combined, that is to say, to scientifically and rationally analyze the current economic benefits, transportation methods, transportation modes, transportation efficiency, etc. of the enterprise, and to analyze the possible transportation value and potential transportation value that the enterprise may create. Consider it, and then combine them reasonably, and finally build a transportation method that can create the greatest economic benefit and improve its safe transportation capacity. The concept of difference is one of the important factors that need to be considered in the process of building safe transportation capabilities. Anything has its own internal and external differences. This difference is common in nature, and it is precisely because of these Differences, large or small, make the world colorful. In the process of road transportation, logistics companies will cause various differences due to differences in time, space, region, etc. When we build safe transportation capabilities, we must combine these differences scientifically and rationally. In the process of road transportation, the spatial and temporal differences in transportation resources and the spatial differences in transportation trucks will affect the resource allocation of transportation enterprises and the economic benefits of logistics enterprises. This is also a consideration in the process of building safe transportation capabilities. [2] The ultimate goal of the construction of safe transportation capacity of logistics enterprises based on road transportation is to promote the sustainable development of transportation enterprises and improve the economic benefits of transportation enterprises. Safe transportation capacity mainly refers to the ability of logistics enterprises to buffer freight due to certain unavoidable differences under the condition of balanced resource allocation. The safety transportation capacity of road transportation logistics enterprises also has its unique characteristics, for example: the originality of safety transportation capacity is the key to the sustainable development of the entire logistics transportation enterprise, and it is also an important guarantee for the improvement of the economic efficiency of logistics enterprises, which is accompanied by logistics. The existence of the enterprise, while generating logistics needs, the supply of resources of logistics enterprises have also been generated one after another, and the safety transportation capacity has emerged at the historic moment, from zero to existence. There are other characteristics of safe transportation capacities, such as: relatively independent, extensive, non-value-added, dynamic and other obvious characteristics. It is caused by the resource allocation of logistics enterprises and is directly related to the spatial and temporal differences of enterprise resources. And widely exists in all kinds of road transport logistics companies in different regions, at the same time, in the development process of logistics companies, safe transportation capacity is a pure resource allocation guarantee, and the company's logistics value. There is no direct relationship, and in view of the current development status of road transportation logistics companies, the mode of each enterprise, the status of advancing with the times, etc. are not static, so the construction of specific safe transportation capabilities should also be considered. To the actual transport capacity and potential transport capacity of logistics enterprises, and then promote the sustainable development of road transport logistics enterprises. We can express the transportation capacity of logistics transportation enterprises in terms of the amount of goods, and then analyze the construction of safe transportation capacity, take road freight transportation as the main line of research, and then make further assessment of its safe transportation capacity. First of all, we can regard the transportation capacity of an enterprise as a balanced development of supply and demand, that is, the enterprise's resource allocation is in a saturated state. At this time, the enterprise still has certain logistics value. The capacity of safe transportation comes along with the resource allocation of logistics enterprises, and is not directly related to the development of the socialist market economy. It is mainly related to the adequacy of the backup resources of logistics enterprises. Therefore, in evaluating road transportation logistics enterprises The safe transportation capacity has no direct effect on whether the potential transportation capacity is zero. Secondly, the safety transportation capacity of road transportation logistics companies is only directly related to the enterprise's resource allocation, and it also has a direct impact on the ability of producers to deliver goods. Therefore, when evaluating the safety transportation capacity, also Only by effectively combining the producer's supply capacity, production capacity, capacity and quantity can the company's transportation resources be maximized to create greater logistics value, evaluate the enterprise's safe transportation capacity, and allow safe transportation. The role of ability is maximized.

2. THE INTRODUCTION OF FINANCE

Finance is a term for matters regarding the management, creation, and study of money and investments. [3] Specifically, it deals with the questions of how and why an individual, company or government acquires the money needed - called capital in the company context - and how they spend or invest that money. [4] Finance is then often split per the following major categories: corporate finance, personal finance, and public finance. [5] The essence of finance is value circulation. There are many types of financial products, including banks, securities, insurance, and trusts. The academic fields involved in finance are very wide, including: accounting, finance, investment, banking, securities, and insurance, trust, and so on. Finance is a trading activity. Financial transactions do not create value. Why do they make money in financial transactions? According to Mr. Chen Zhiwu, financial transactions are a way of realizing future income, that is, tomorrow's money is spent today. Will the money be spent tomorrow, will it
cause inflation. Simply put, the frequency of financial transactions is an important indicator of the economic prosperity of a region, region, or even country. The concept of traditional finance is to study the circulation of monetary funds. The essence of modern finance is the capitalization of business activities. The core of finance is the exchange of value across time and space. All transactions involving the configuration of value or income between different times and different spaces are financial transactions. Finance is to study why value exchange across time and space appear, how to happen, how to develop. For example, this is the case with "currency". It first appeared to store today's value, and wait for tomorrow, the day after tomorrow, or any time in the future, and then use the stored value to buy other things. But currency is also a value exchange across geographic locations. You can use the money to buy what you want. Therefore, currency solves the problem of the storage of value across time and across space. The emergence of currency is a revolutionary innovation for the development of trade and commercialization.

In China, small and medium-sized enterprises have problems such as an imperfect credit system and lack of experience in operating financing credit business, which has caused many problems such as lack of financing channels and pressure on development funds for production and operation. The problem is that logistics finance, which combines logistics services and financial innovation, came into being. This business allows small and medium-sized enterprises to use their own inventory, warehouse receipts, accounts receivables, etc. as collateral, apply for loans from financial institutions, and logistics companies provide professional Goods collateral and supervision services. When the payment is due, if the SME cannot repay, the collateral serves as the second repayment source, which can guarantee the security of the credit funds of financial institutions. Therefore, the proposal of logistics financial services can be effective. Support the financing activities of small and medium-sized enterprises, better solve the problems of financing difficulties and guarantees for SMEs, accelerate the turnover efficiency of production and sales of SMEs, and provide stable and reliable channels for financial institutions. The unified credit guarantee business model is an innovative logistics financial model, which takes logistics enterprises as the main body. Its operating process is: financial institutions carry out according to various aspects of the logistics enterprise's credit status, business model, business operation status, industry leading power, etc. After comprehensive consideration, sign a corresponding cooperation agreement with the logistics enterprise and grant a certain amount of credit funds to the logistics enterprise; and the logistics enterprise comprehensively inspects the status of the capital demanding enterprise and signs a cooperation agreement with the capital demanding enterprise to provide the corresponding. In the case of collateral for goods and commercial orders, it provides certain financial support for capital-needing enterprises. According to the relevant agreements and contracts signed, the capital-demanding enterprises pledge the goods to the logistics company in batches and repay the loan in installments.

3. THE RELATIONSHIP BETWEEN LOGISTICS, FINANCE AND COMPANIES

Different from other relationships shown in the finance sector, the relationship between logistics, finance and companies is quite unique. The logistics is always playing the role of third party rather than the direct party, being the medicate between logistics and companies. Third-party logistics provider has been providing services to the companies, and offering the supervision on behalf of the finance sector. Here is the example to illustrate. A major third-party logistics provider had delivered several parts to an automotive plant on a just-in-time basis. In the logistic company, a trucker promised to do it for 3 percent less, for a savings of $450,000 a year. While in the opposition, the plant's purchasing manager, who had recently taken over the job of carrier selection from the logistics manager, promptly went with the cheaper option. It may be the best option for the logistics and finance, both of which can have the greatest advantages from this trade. However, in fact, it is not always been so smoothly in the company and financial sector. There are always something unexpected to happen. For example, the driver of the carrier has been inexperienced, so that missing the scheduled time of the deliveries. The delay of time may lead to the delay of project, causing the plant to book expedited services at triple the cost. The miss of supervision makes the cost expensive and out of control. Besides, the expense of inventory may rise when the manger of the plant has uncertainty of the ability of the vendor to deliver the inventory in time. Within a few months, the "cheaper" carrier had resulted in more than $1.5m in additional costs. According to the president of Chesapeake Logistics LLC, based in Arnold, Md., Brian P. Flood, there is always a real void between finance and logistics, away from the companies. After months of years of giving lip service to supply-chain integration, most companies have realized to integrate the three parts into one, which are companies, logistics and financial sectors. It is important to realize that these three crucial factors should be taken into consideration in all but the most superficial way.

As the research director of corporate financial systems for the Gartner Group in Stamford, Conn, Lee Geishecker, the finance should pay attention to the part of logistics. The attention paid to the logistics is not a quick way, but a day-to-day and transnational perspective. All the settlement to pavement to Rome is all need of time and strength. The accounting sector, or to say, the finance sector, looks at how much depends on or relying on transportation, or to say, the logistics and warehousing, that is the responsibility of the company. There occurs the opportunities for cutting costs and reducing the expense through discounts or less expensive vendors. This information is largely depends on the purpose of historical reports and reports. In fact, in the beginning of the finance,
transportation, that is logistics, and the warehousing, or to say, the responsibilities of the company, have worked and served as the easy targets for the reduction of cost of the corporate because they can function in the very high visibly. It seemed an easy matter to require a logistics manager to lop 10 percent off the transportation bill for the greater good of the company. But the cost reduction is always being the main target of each company. Every company is going to put their heart to the reduction of the cost.

In order to reduce the cost of the expense, the companies are all put their efforts to find out the way and approach. Furthermore, companies are all wanting to have very much of the ability and focus to influence logistics and storage costs in the first place. Logistics have been the new cost of companies to take into consideration; while the storage and inventory expense has come down slowly in the past ten years or the twenty years. Experts have claimed that the main reason is that the cost of the logistics is keeping low, not internal budget-slashing. The reality is quite different, finance is the main reason for the companies to take consideration into. The emphasis of the finance on the price of inventory, or to say, the storage, and the money, the expense of the storage, the logistics and the financial companies. That reality places finance - with its emphasis on the price of inventory and money - at the forefront of cost-saving opportunities.

Geishecker is calling for the new relationship between finance and logistics, which can make sure that the cost can be reduced and the beneficiary can be realized to each party. The new relationship between finance and logistics should be considered to carry a large amount of potential for reducing cost and streamlining the supply chain. Taking the example to illustrate. Apart from focusing on the number of days needed to close its books, finance should adopt a new key metric the percentage of accurately shared data. Instead of promoting the traditional payments terms, the companies and enterprises might find a way to look to billing and automatic payment by the way of the convenient Internet. Say in the real way, the economy these days is going to become the collaborative ones. Moreover, the financial experts are calling for the cooperative environment, and the the data should be employed to be a launch point in the way of forming strategic partnerships. Both inside and outside of the company are looking for the cooperative relationship between the company and the logistics. The inside and the outside of the company is in the loop for the long term of planning of the key elements such as the distribution center of the logistics and the selection center of the logistics companies, as well as the core carrier relationship between the company and the logistics. Logistics managers, meanwhile, would have a better sense of how their decisions affect the entire supply chain, not just the daily cost of using a particular carrier or warehouse. And they would begin to factor in the organization's true cost of capital, a bottom-line measure that tends to get buried in corporate balance sheets. Conventional wisdom holds that supply-chain management consists of managing two types of flows - product and information. But when it comes to cutting costs in a competitive market, the financial flow mustn't be overlooked.[6]

4. THE GAME MODEL BETWEEN LOGISTICS, FINANCE AND COMPANIES

Logistics innovation is an all-round innovation of the entire logistics process, and innovation activities are integrated into all aspects and links of logistics activities. In summary, there are three aspects: logistics system innovation, logistics management innovation, and logistics technology innovation. Institutional innovation refers to innovation activities that improve the efficiency and rationality of institutions by creating new and more effective incentive systems under the existing economic and living environment. Management innovation is the activity of creating a new and more effective method to integrate internal and external resources of the enterprise to achieve the established management goals. Technical innovation refers to the application process of innovative technology in enterprises. The application of new technologies in enterprise production is generally reflected in two ways: innovative products and innovative production processes. Integrated logistics is not simply a combination of multiple functional logistics services such as transportation, warehousing, distribution, etc., which plays the role of logistics participant; it is the need to integrate multiple logistics functions, and the overall design and management of customer logistics operations. The goal of integrated logistics services is not only to reduce customer logistics costs, but also to comprehensively enhance customer value. The customer relationship of the integrated logistics service is not a price game relationship, but a win-win partnership. When developing integrated logistics projects, logistics companies must have a thorough and thorough understanding of the target customers' operating conditions, logistics operations and competitors' situation, etc., and find areas where customer logistics needs to be improved according to the logistics companies' own advantages, and customize logistics for customers Idea innovation, service innovation, logistics technology innovation. Conceptual innovation is an innovation to the basic principles, norms and ideas that companies follow when they are engaged in business. Logistics enterprises should adhere to two basic concepts: overall optimization and integrated logistics services; service innovation is an important content of logistics innovation, because whether it is the goal of improving customer value or the realization of the goal of obtaining incremental benefits, it is ultimately attributed to logistics. The degree to which the service meets the logistics needs. Service innovation mainly includes the two most important components of service content innovation and service method innovation: logistics technology innovation can be divided into logistics hard technology innovation and soft technology innovation.
5. THE RISK CONTROL BETWEEN LOGISTICS, FINANCE AND COMPANIES

Under the background of economic globalization and production internationalization, enterprise competition is becoming more and fiercer. Logistics outsourcing, as a current strategic model for enterprise development and new profit growth points, is rapidly developing. In the face of the various benefits of logistics outsourcing, many companies are still hesitating. The reason for not going forward is that there are still high risks in the logistics outsourcing market. Based on the research of logistics outsourcing and logistics outsourcing risk by scholars at home and abroad, this article uses the relevant economic theory of new institutional economics and information economics to analyze in detail the logistics outsourcing risks and manifestations caused by the agency relationship. The risk and manifestation of logistics outsourcing under the condition of asymmetric information, and the risk and manifestation of logistics outsourcing caused by imperfect social system. Finally, according to the relevant principles of game theory, it is pointed out that signing an effective contract to prevent and control the risk of logistics outsourcing; using the institutional arrangement of intermediary organizations to prevent and control the risk of logistics outsourcing caused by information asymmetry.

6. CONCLUSION

The new things have to face problems when it has born and the process of its growth. The most important question and the most people show concern about is the credit risk between the commercial banks and the companies including SMEs. In the SMEs, the main body of the companies and the banks in the traditional credit business is that change would be occurred into the credit risk among the three subjects: commercial banks, SMEs, the Third-party logistics enterprises in the logistics financial business. The three, that is the banks, financial institutions and logistics companies have been working together in order to make it real and launch a range of financial products, which is created and designed to help people and the public, as well as the banks, companies and the logistics to address the financing difficulties of SMEs in the supply chain bottlenecks. It can achieve the organic unity of the logistics, capital flow and information flow to achieve the win among three parts. Logistics finance is still in exploration stage of development and innovative service offerings. In this article the game model and risk control between logistics, finance and companies have be mentioned so that readers can be given with the access to know the relationship between the three better.

REFERENCES