

# **FORMATION OF THE LOGISTICS SERVICES MARKET FOR SMALL AND MEDIUM-SIZED BUSINESSES IN THE CONTEXT OF GLOBALIZATION**

**Olga Nicolaevna Bykova, Plekhanov Russian University of Economics  
Valentina Mikhailovna Repnikova, Plekhanov Russian University of  
Economics**

**Vladimir Gavrilovich Starovoytov, Financial University under the  
Government of the Russian Federation**

**Kira Alekseevna Artamonova, Financial University under the Government  
of the Russian Federation**

**Olga Yurievna Gavel, Financial University under the Government of the  
Russian Federation**

**Pavel Nikolaevich Sharonin, The Russian Presidential Academy of National  
Economy and Public Administration**

## **ABSTRACT**

*The article deals with the development of approaches to the formation of the logistics services market for small and medium-sized businesses in the context of globalization. In the course of the research, the authors have identified the main problems that hinder the development of the logistics services market, which include lack of renewal of fixed assets in the industrial infrastructure sectors, technical level of fixed assets inconsistent with the current and future requirements, and the low level of intersectoral coordination in the development of transport infrastructure, which leads to the separation of single transport space and wasteful use of resources. It is established that one of the development areas of the logistic services market consists in designing a comprehensive program of logistics development for the small and medium-sized business entities, aimed at increasing efficiency of their performance, organizing a rational system of logistics services for transportation needs, and forming the competitive environment in the small and medium-sized businesses sector. It is proved that the current development stage of the logistics services market is characterized by certain positive shifts, such as the improving the information service, which is manifested in the readiness of logistics companies to promptly provide small and medium-sized businesses with the necessary information, as well as concluding long-term contracts, which allows implementing long-term development plans. It is revealed that the presence of the logistics operator's own assets is an important factor. Small and medium-sized businesses that have such assets mainly carry out cargo transportation by road, air, and sea.*

**Keywords:** Market, Logistics Services, Small and Medium-Sized Businesses, Globalization, System, Strategy, Innovative Technologies, Information.

## INTRODUCTION & LITERATURE REVIEW

Despite the lack of a comprehensive approach to solving the problems of servicing the material flow of domestic, export-import, and transit destinations, in recent years, this type of service has been significantly developed at the national level. The first Russian logistics operators appeared and formed logistics systems with all their inherent characteristics

However, logistics, as a service sector, is characterized by a pronounced dependence on material production, foreign economic relations of the country, as well as the development of interregional and intersectoral relations. The consequences of the crisis developments in the economy are only now fully manifested. Besides, the decline in production and services in small and medium-sized businesses, inflationary processes and rising unemployment, persistent insolvency and bankruptcy of small and medium-sized businesses, and reduced investment activity are generalizing signs of stagnation.

It should be noted that recently there has been a gradual revival of certain areas of small and medium-sized businesses, including the industrial services sector. Therefore, today it is urgent to develop proposals, and at the same time, implement effective measures to stabilize the logistics services market for small and medium-sized businesses while implementing innovative technologies in this area that would correspond to the global development vector.

The study of aspects of the logistics services market functioning is reflected in the works of Elisaveta & Yulia (2015); Gurina et al. (2019); Huang et al. (2011); Konovalenko et al. (2017); Makarenko et al. (2018); Liu (2014); Maltz & Ellram (2000); Milmo (2002), Płaczek (2015); Smirnov (2010); Tairovich et al. (2020), and others. However, the study of scientific works indicated the existence of major contradictions between the necessity and expediency of forming a logistics services market for small and medium-sized businesses in the context of globalization.

## METHODS

The authors used the formalization method as the main research method, which was employed to conduct the structural justification of the logistics services market components and the development strategy forming process. The procedure included formalizing the strategy of small and medium-sized businesses, which made it possible to strengthen and formulate a clear development roadmap and create a foundation for elaborating detailed measures to achieve the strategic vision.

The analysis was used as a theoretical subject of research on the logistics services market, which included the collection and processing of necessary information. The special importance of the logistics services market for small and medium-sized businesses was due to the uncertainty of the external environment, its constant variability, and unpredictability, as well as the specificity of the internal environment. To employ specific tooling, the problem of information support and the choice of methods for analytical processing of information were solved.

The integration mechanism of financial and nonfinancial characteristics was used as an empirical approach, as well as the system of strategic regulation, which was based on detailed monitoring of the effectiveness of a set of optimally selected indicators that fully reflected all aspects of the logistics services market development for small and medium-sized businesses in the context of globalization.

Therefore, the logistics services development strategy will be effective when it takes into

account issues related to different areas of small and medium-sized businesses activity. When formalizing a strategy based on a system of balanced indicators, the activities of business entities will be considered within the following characteristics: financial component, customers, business processes, and the system for promoting logistics services.

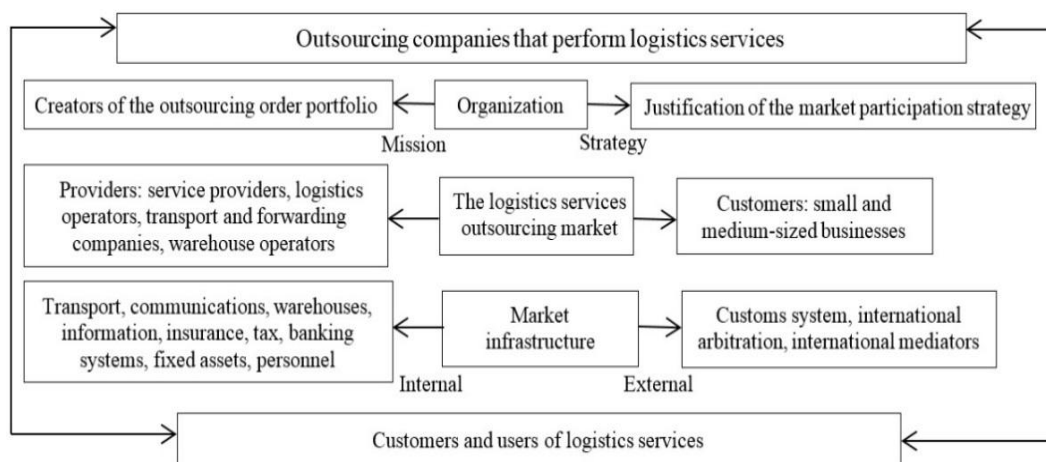
### RESULTS AND DISCUSSION

The practice has shown that one of the main features of a market economy is the activity of an extensive system of production, commercial, financial, institutional, and information structures that interact in the economic space and form a market. While considering this category in a narrower sense, it is a mechanism for coordinating the interests of sellers and consumers, as well as a method of monetary and commodity transformations.

With the development of economic relations, the preliminary availability of goods from small and medium-sized businesses and money from the buyer, as well as transferring goods under the contract to the buyer's property, turned out to be insignificant for certain types of the contemporary market. This fact is especially evident in the logistics services market (Abanina et al., 2018; Frolova et al., 2018; Markova et al., 2018; Romanova et al., 2020).

In this case, logistics is a service activity, while the types of services that can be attributed to this sector are not limited to traditional transportation and warehousing. However, the current development of logistics in the Russian Federation is characterized by a paradoxical situation: with a slight growth or stagnant material production (which, in fact, produces the material flow), there is a significant revival in the logistics services market, especially in the small and medium-sized business sector (Morkovkin et al., 2019; Zimnukhova et al., 2019).

One of the main reasons for such positive changes is the attempts of small and medium-sized businesses to reduce costs due to the crisis developments. As a result, noncore business functions are outsourced, among which the centerpiece is occupied by creating a portfolio of outsourcing orders (Figure 1).



**FIGURE 1**  
**THE LOGISTICS SERVICES OUTSOURCING MARKET FOR SMALL AND MEDIUM-SIZED BUSINESSES**

For the Russian Federation, the impetus for the revival of contract logistics has been the transition of key suppliers to the on-shore business model, in which all future import deliveries

are organized through their own company. However, the share of outsourcing in Russian logistics remains low, since only about 60 Russian and about 40 Western 3PL (Third Party Logistic) operators work. They imply the presence of a warehouse complex and the provision of services from delivery and cell-based storage to order management and tracking the movement of goods. All logistics outsourcing in Russia accounts for only 39% of the volume of the market of transport and logistics services, while in the USA, this figure is 81%, in Europe is, on average, 65%, and in China - 49%. Most small and medium-sized businesses continue to practice in sourcing of logistics (Bykova et al., 2019; Konovalova et al., 2018; Milmo, 2002).

In this case, an important factor is whether the logistics operator has its own assets. Small and medium-sized companies that have their assets mainly carry out cargo transportation by road, air, and sea, while the scope of activities of other companies mainly includes the provision of transportation and storage of goods, that is, intermediary functions between cargo senders and transportation providers.

Thus, the emergence of logistics service providers in the sector of small and medium-sized businesses is the next logical step in the development of the logistics services market, which, of course, should be supported by demand from consumers. Currently, the majority of small and medium-sized businesses have a demand for certain logistics operations, such as transportation, customs clearance, consulting, and assistance in processing documents, warehousing, and distribution. The conducted research shows the need for competent work with distribution nodes, improving the quality of transportation, and reducing the cost of all transport technological cycles. At that, optimal cost, quality, and speed of order fulfillment remain traditional main criteria for choosing a carrier.

In the Russian Federation, the logistics market is experiencing trends of differentiation and shifting emphasis in determining the competitiveness of transportation services. Currently, carriers and small and medium-sized businesses need a set of additional services, such as delivery tracking, confirmation of delivery via digital channels, packaging, and online shipment monitoring. Undoubtedly, such options are factors for the future development of transportation in the logistics market.

Research shows that the growth of freight traffic is observed in all modes of transport. This proves not only the existence of recovery trends and a way out of the stagnation of the transport component of the logistics services market but also an increase in the load on transport infrastructure and shifts in consumer requirements for the quality of these services in the small and medium-sized businesses sector.

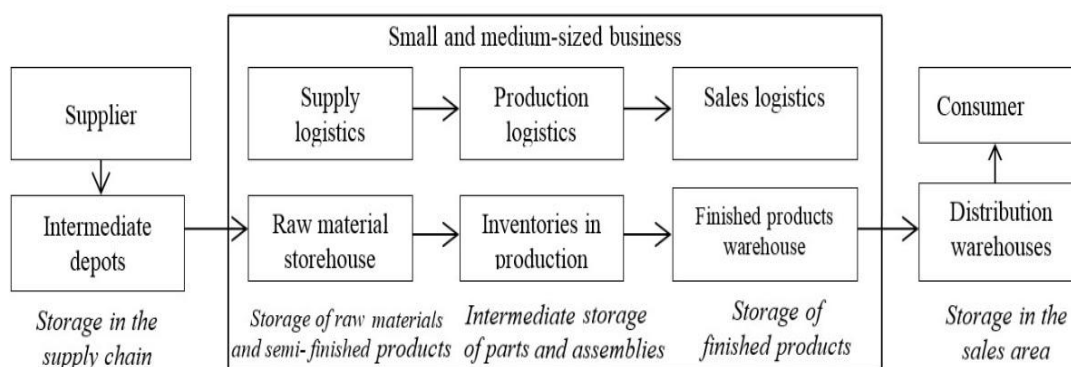
At the same time, financing of investment projects should be carried out on a mixed basis with the involvement of own funds of transportation providers, budget funds, local budgets for the purposes related to transport services for small and medium-sized businesses, enterprises and organizations, attracting direct investments from internal and external strategic investors, investments based on concessions, and other sources (Drobysheva et al., 2018; Levchenko et al., 2018; Morkovkin et al., 2020; Shakhmametyev et al., 2018).

When predicting major trends in the freight transport market of logistics services for small and medium-sized businesses, one can note the following aspects: the transition of the market to improving competition, resulting in a probable stabilization of transport fares at the same level by the vast majority of operators, becomes currently obvious; there is a redistribution in favor of low-tonnage transportations in the domestic market, though, in external transportations, the advantage is given to large-tonnage vehicles; the intense development of trade, including e-trade, entails a growing demand for expedited delivery; it is planned to

implement a set of innovative and investment projects to strengthen the infrastructure potential.

In this case, the significant impetus of logistics revival is the growth of trade turnover, and consequently – the development of trade in small and medium-sized businesses. This fact is another confirmation of the revival of the Russian Federation's economy from the crisis. In this case, an integral part of commercial activity is warehousing in the sector of small and medium-sized businesses.

Therefore, when describing the current status of this logistics services market sector, it is necessary to emphasize the leading role of the modern warehouse complex in the distribution network operation. In this case, the developed warehouse infrastructure, the use of supply logistics, production logistics, and sales logistics significantly affect the efficiency of commercial activities of small and medium-sized businesses (Figure 2).



**FIGURE 2**  
**THE WAREHOUSE IN THE LOGISTICS SYSTEM OF SMALL AND MEDIUM-SIZED BUSINESSES**

At that, logistics property is one of the most promising property sectors that is due to the following features: favorable geopolitical location; business activity restoration rate; lack of quality space in the warehouse property market, as well as warehouses which would meet the specific requirements of customers; plans of foreign warehouse operators to enter the market; the short payback period for warehouse facilities; relatively low costs for the construction of warehouse facilities; and high profitability of warehousing services.

Research shows that the warehouse property market in the small and medium-sized business sector is divided directly into warehouses and logistics services complex. The list of logistics services provided by logistics centers is constantly expanding, and their quality increases according to the competition. At the same time, cargo owners require the most complete service in a single logistics center. It is fair to note that the requirements for warehouse services mainly depend on the category of consumers of warehouse facilities.

Among them, three relatively homogeneous groups can be distinguished: 1) professional logistics companies, i.e. operators providing warehousing and cargo transportation services; 2) distribution companies and retail chains that mainly utilize professional and semi-professional premises; 3) small and medium-sized businesses that rent or buy premises. The key factors for choosing a warehouse by such firms are price and location. Therefore, they mostly occupy the entire segment of cheap low-quality premises.

In this case, the main factors of competitiveness of warehouse complexes include the

following.

1. Location, which often plays a dominant role. It is logically expedient to place warehouse complexes on the outskirts, in the suburban zone near intense transport arteries.
2. Technical condition and equipment capability, the modern warehouse facility, availability of materials handling mechanization and structures, automated warehouse management systems, and other technologies that significantly improve the quality of warehouse services.
3. Availability of necessary communications, which vary depending on the room grade. Basic utilities for most warehouses include heating, water supply, and telephone communication, less often – gas supply, ventilation, and air conditioning.
4. Approach roads that complement a logically advantageous location and are also an important factor in handling large volumes of cargo.

The research has also allowed identifying problematic issues in the development of the warehouse logistics segment for small and medium-sized businesses, namely:

- A complex procedure for changing the purpose of a construction site, which requires significant time and financial costs;
- The current moratorium, which provides for a ban on changing the purpose of agricultural land plots;
- Acquisition of rights to land plots of state and municipal ownership, which are carried out mainly on a competitive basis.

The main obstacle that currently hinders the development of logistics in the small and medium-sized business sector is the lack of high-quality infrastructure which would allow providing comprehensive transportation and logistics services to customers, including customs clearance, cargo transshipment using various modes of transport, warehousing, and distribution. This fact is unacceptable, given the transit location of the Russian Federation and its focus on strengthening the transit potential (Pobyvayev et al., 2019; Repnikova et al., 2020; Milmo, 2002; Nikolskaya et al., 2020; Reznikova et al., 2019; Zavalco et al., 2017).

However, there is already a tendency to redistribute demand in the logistics services market in favor of large and medium-sized businesses, as well as highly specialized companies. This is partly due to the increased demand for integrated services, which leads to the integration of freight forwarders and warehouse operators. At that, the competitiveness is maintained by operators which can provide a systematic approach to customers and organize integrated services for all small and medium-sized businesses.

In the course of the research, the authors have intended to develop a tool for selecting a logistics strategy for the company of small and medium-sized sector, which will allow determining the type of strategy that would be suitable for a particular company with the specified conditions of the external and internal environment. The tool is based on the concepts of the main logistics strategies, as well as the condition for their application in real business.

For convenience, strategies are denoted by numbers: (1) minimizing overall logistics costs; (2) improving the quality of logistics services; (3) reducing investment in logistics infrastructure; (4) implementing logistics outsourcing; (5) using strategic alliances in the supply chain; (6) time-based strategy; and (7) differentiation strategy (Table 1).

The tool is used in the following way: the entrepreneur consistently evaluates each of the 25 parameters presented in the Table. If the particular parameter corresponds to his business (reflects real internal or external conditions), then all types of strategies marked in the Table on the right are selected. A parameter that doesn't correspond to the actual situation is skipped. Then marked options are summed up by column and their total number is written out in the last row.

Next, the resulting numbers are compared and several (from one to three) types of strategies are selected that are best suited for small and medium-sized businesses, taking into account the specific conditions of the internal and external environment under current conditions.

No	Indicators of the internal and external environment of a company of small and medium-sized business	Strategies						
		Minimizing overall logistics costs	Improving the quality of logistics services	Reducing investment in logistics infrastructure	Implementing logistics outsourcing	Using strategic alliances in the supply chain	Time-based strategy	Differentiation strategy
1	The demand structure and volume are stable	+					+	+
2	The demand structure and volume are unstable		+		+			
3	The market is stable	+						+
4	The market is dynamic		+	+		+	+	
5	Market competition is high	+	+			+	+	
6	Market competition is low		+					
7	The company has long-term relationships with suppliers	+		+				
8	The company does not have long-term relationships with suppliers				+	+		+
9	High differentiation of services in the market		+					
10	Low differentiation of services in the market	+						
11	The company has resources to implement logistics management	+	+					+
12	The company does not have the resources to implement logistics management				+			
13	Production is associated with high operating costs	+		+		+		
14	Product has high added		+					

	value							
15	The company strives for cost leadership	+		+				+
16	The company has a well-developed distribution network		+			+		
17	The company works with the end-user		+	+			+	
18	Reducing production cycle time is important to the company						+	
19	There are problems with suppliers on delivery dates					+		+
20	The production process has a high level of standardization	+		+			+	
21	High-pressure from suppliers					+		+
22	The company operates using the concept of internal supply chains	+	+			+		
23	The company is a link in the supply chain	+		+				
24	The company has the resources to expand kinds of its activities		+					+
25	The company does not have the resources to create a logistics infrastructure			+	+			
	$\sum =$							

The offered tool is intended for the pre-selection of logistics strategy type, which is then subjected to more detailed analysis and approved according to the analysis findings. The application of this tool will help make the process of choosing a logistics strategy more accessible to entrepreneurs who have an insufficient level of logistics knowledge.

## CONCLUSION

Generalizing the analysis outcomes and evaluation of the current development level of the logistics services market for small and medium-sized businesses in the context of globalization, one can identify the following major problems that hinder its development and growth. These are a lack of renewal of fixed assets in the industrial infrastructure sectors; technical level of fixed assets inconsistent with the current and future requirements; the low level of intersectoral coordination in the development of transport infrastructure, which leads to the separation of single transport space as well as a wasteful use of resources.



One of the ways to solve logistics issues is designing a comprehensive program for the development of the logistics sector for small and medium-sized businesses, aimed at improving the efficiency of its performance, organizing a rational system of logistics services for transportation needs, and creating a competitive environment in the small and medium-sized businesses sector.

At the same time, the current stage of the logistics services market development is characterized by positive shifts, such as improving the information service, which is manifested in the readiness of logistics companies to promptly provide small and medium-sized businesses with the necessary information; concluding long-term contracts, which allows implementing long-term development and cooperation plans; emerging trends of globalization and integration, which provide interregional access to sales markets; ongoing integration processes in the field of small and medium-sized businesses that contribute to the formation of logistics unions and associations; implementing activities based on the logistics competencies of companies; increasing the value of logistics companies' services for small and medium-sized businesses due to lower costs along with broadening offered opportunities and geographical coverage.

## REFERENCES

- Abanina, I.N., Ogloblina, E.V., Drobysheva, N.N., Seredina, M.I., & Lebedev, K.A. (2018). Methodological techniques for assessing the unevenness of economic development in the world. *The Journal of Social Sciences Research*, (S3), 8-12.
- Bhatnagar, R., Sohal, A.S., & Millen, R. (1999). Third party logistics services: a Singapore perspective. *International Journal of Physical Distribution & Logistics Management*, 29(9), 569-587.
- Bykova, O.N., Garnov, A.P., Stroeve, P.V., & Pivovarova, O.V. (2019). Employment management policies in single-industry towns in the light of existing issues of precarious employment. *International Journal of Economics and Business Administration*, 7(S1), 123-134.
- Drobysheva, N.N., Zvyagintseva, E.P., Fedorova, E.A., Kindrya, N.A., & Lebedeva, O.E. (2018). Development of crisis phenomena in social and economic systems in conditions of globalization. *International Journal of Engineering and Technology (UAE)*, 7(4.38), 131-134.
- Elisaveta, D., & Yulia, P. (2015). Improvement of the quality of the logistics services: Orbis company case study. *Russian Journal of Logistics & Transport Management*, 2(1), 26-38.
- Frolova, V.B., Dmitrieva, O.V., Biryukov, V.A., Avramenko, G.M., & Lebedev, K.A. (2018). Development of control system of financial and economic results of an enterprise. *International Journal of Engineering and Technology (UAE)*, 7(4.38), 167-170.
- Gurina, M.A., Rumyantseva, Y.V., Liberman, T.I., & Shchetinina, I.S. (2019). Leaders of change key strategic instruments: marketplaces as the basis of the uberization model for managing global companies. *International Transaction Journal of Engineering, Management and Applied Sciences and Technologies*, 11(3), 1-12.
- Huang, B., Wang, T., & Xue, X. (2011). Extended QoS model-driven logistics services selection approach. *Journal of Tsinghua University Science and Technology*, 51(1), 19-24.
- Konovalenko, O.D., Kurinna, A.O., & Kantemirova, E.R. (2017). The improvement of the efficiency of logistics services in touristic industry at regional level. *Paradigm of Knowledge*, 3(23), 4-15.
- Konovalova, E.E., Yudina, E.V., Bushueva, I.V., Uhina, T.V., & Lebedev, K.A.E. (2018). Forming approaches to strategic management and development of tourism and hospitality industry in the regions. *Journal of Environmental Management & Tourism*, 9(2 (26)), 241-247.
- Levchenko, T.P., Koryagina, E.V., Rassokhina, T.V., Shabalina, N.V., & Lebedeva, O.Y. (2018). A project-based approach to ensuring the competitiveness of a region's tourism-recreation complex. *Journal of Environmental Management & Tourism*, 9(8 (32)), 1706-1711.
- Liu, F. (2014). Esearch on sino-russian market access issues in logistics services. *Innovation and Sustainability of Modern Railway*, (2), 546-550.
- Makarenko, S.A., Sukhina, N.Y., Krymov, S.M., Martynenko, S.V., & Adamenko, A.A. (2018). Testing economic systems of capitalist countries by the world economic crisis. *Espacios*, 39(31), 37-52.
- Maltz, A.B., & Ellram, L.M. (2000). Selling inbound logistics services: Understanding the buyer's

- perspective. *Journal of Business Logistics*, 21(2), 69.
- Markova, O.V., Zavalko, N.A., Kozhina, V.O., Panina, O.V., & Lebedeva, O.Y. (2018). Enhancing the quality of risk management in a company. *Revista Espacios*, 39(48).
- Milmo, S. (2002). Logistics and distribution services begin to separate. *Chemical Market Reporter*, 262(13), 6-6.
- Morkovkin, D., Lopatkin, D., Sadridinov, M., Shushunova, T., Gibadullin, A., & Golikova, O. (2020). Assessment of innovation activity in the countries of the world. In *E3S Web of Conferences*. EDP Sciences.
- Morkovkin, D.E., Kerimova, C.V., Dontsova, O.I., & Gibadullin, A.A. (2019). The formation of factors affecting the sustainable development of the generating complex of the electric power industry. In *Journal of Physics: Conference Series*. IOP Publishing.
- Nikolskaya, E.Y., Zolotova, S.V., Zaharova, E.V., Iosifovna, N., Kovaleva, E.B.T., & Kozhina, V.O. (2020). The conceptual framework for the development of international service marketing. *Journal of Advanced Pharmacy Education & Research*, 10(3), 167-172.
- Placzek, E. (2015). Development perspectives of logistics services providers in Poland. *Economie și Sociologie*, (1), 49-54.
- Pobyvayev, S.A., Selivanov, A.I., Silvestrov, S.N., Starovoytov, V.G., & Troshin, D.V. (2019). Ensuring economic security of russia in the context of african development trends: Problems and prospects. *Humanities & Social Sciences Reviews*, 7(4), 1353-1358.
- Repnikova, V.M., Bykova, O.N., Stroev, P.V., Morkovkin, D.E., & Kurbakova, S.N. (2020). Improvement of approaches to the strategic development management of enterprise. *Entrepreneurship and Sustainability Issues*, 8(1), 301-312.
- Reznikova, O.S., Korolenko, J.N., Enenko, G.Y., Tkachenko, D.V., & Repnikova, V.M. (2019). Improvement of Approaches to Labor Regulation in Service Sector Enterprises. *Journal of Environmental Management and Tourism*, 10(4), 886-891.
- Romanova, I.N., Morkovkin, D.E., Nezamaikin, V.N., Gibadullin, A.A., & Ivanova, M.A. (2020). Formation of a policy to ensure environmental safety in modern economic conditions. In *IOP Conference Series: Materials Science and Engineering*. IOP Publishing.
- Shakhmametyev, A.A., Strelets, I.A., & Lebedev, K.A. (2018). Strategic mechanisms for the future development of the international e-commerce market. *Revista Espacios*, 39(27).
- Smirnov, A., Levashova, T., & Shilov, N. (2010). Context-Based Information and Knowledge Logistics for Self-organisation of Web-Services in Smart Environments. In *International Conference on Business Information Systems*. Springer, Berlin, Heidelberg..
- Tairovich, S.A., Ahrorovich, K.A., & Kuisunovna, A.D. (2020). Digital logistics: Innovative complex of transport services. *Journal of Applied Research*, 2, 22-26.
- Zavalko, N.A., Kozhina, V.O., Zhakevich, A.G., Matyunina, O.E., & Lebedeva, O.Y. (2017). Methodical approaches to rating the quality of financial control at the enterprise. *Calitatea*, 18(161), 69-72.
- Zimnukhova, D.I., Zubkova, G.A., Morkovkin, D.E., Stroev, P.V., & Gibadullin, A.A. (2019). Management and development of digital technologies in the electric power industry of Russia. In *Journal of Physics: Conference Series*. IOP Publishing.