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Creation of a business idea of providing outsourced logistics services to medium-sized enterprises in Russia

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Abstract <p>The reason for writing this thesis was related to the author's personal interest in improving the logistics service level in Russia and establishing such business in the real market.</p> <p>The main task was to create a business idea for providing outsourced logistics services in Russia. To complete the work, 4 objectives that had to be reached in order to complete the task were devised:</p> <ol style="list-style-type: none"> 1. Research examples of successful 3PL logistics companies based in Finland and Russia. 2. Analysing and comparing the services offered by companies from the two countries. 3. Analysing the current state of consulting services in Russia. 4. Formulating a business idea and analysing its feasibility in Russia with the usage of the knowledge received from objectives 2 and 3. <p>Taking such a business idea into the real market, even with the support of research, would require investments in the basic needs and specialists in the current sphere of business. Business is more based on knowledge and skills than on material values.</p> <p>According to the results of the study, it would be reasonable to switch from outsourcing services to consulting because customers were more interested in those. Moreover, the market did not seem to be ready for big steps, such as outsourcing logistics. Even in the case of consulting services, it would still be risky to establish such business currently as the market is unstable and there is no trust in consulting services in general.</p>		
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1. Introduction

The present study examined the Russian market and focused on medium-sized enterprises with the goal to generate a fresh and exciting business idea.

1.1. Motivation

This topic was chosen according to the author's personal interest and idea to have a business in the sphere of outsourced logistics services in the future. This seemed like a promising prospect as it has been effectively used in Europe for a long time, but in Russia, it has not been developed yet.

Before going any further, it is important to understand the reasons why logistics outsourcing is not on the market yet in Russia. The author examined the current stage of development of logistics in Russia right now and discovered that logistics had only recently begun to appear in business life.

This leads to the question of why this is so. Logistics has never been a separate study program, and it was considered a part of other related programs in the 90s. At that time it was enough, while in Europe it was growing rapidly. After that, the country had some political issues so that no one could follow the mainstream. At the beginning of the 2000's, the situation stabilised, and businesses started trying to minimise their costs (instead of just increasing sales), but no one knew how to do it. Now, the situation is changing but still, there are not enough specialists and, in addition to that, business in Russia is not stable (sanctions, crisis, internal changes), so that it is risky to invest money, especially in logistics projects. Attention to investments in logistics is related to such a myth that they should greatly invest to start saving after several years. Another question was why the focus was only on medium-sized enterprises. The reason was the fact that there are several millions of companies of micro and small size and only 20 thousand of the medium-size in Russia (Enterprises statistics, 2016). In the framework of a Bachelor thesis, it is impossible to cover all of it, and that was why it was decided to limit the topic. These kinds of companies create trends which are usually used by other companies later as it was shown on an experience of cleaning, security, and accounting outsourcing.

Moreover, they employ millions of people, and their turnover is hundreds of millions of euro. It means that this area has potential which could be researched and developed.

Hence, all in all, right now Russia still does not have logistics as an expanded field, and it is quite certain that the situation will change, but only after some time. However, from the author's point of view, it means that it is a promising field for the business of outsourced logistics services now. This thesis was written for and with the support of JAMK University of Applied Sciences.

1.2. Research objectives

The first research objective was to find research examples of successful 3PL logistics companies based in Finland and Russia. In other words, the purpose was to find real life examples of 3PL providers in Finland and Russia and, secondly, analyse and compare the services offered by companies from the two countries. This would show us what kind of difference existed in the two business spheres and what could be borrowed in order to develop Russian logistics. The third objective was to analyse the current state of the consulting services in Russia because it was vital to understand the state of those services in Russia and gain information for analysing if the business idea generated in the thesis would have competitors or an empty market.

The fourth objective was to formulate a business idea and analyse if it was going to work in Russia with the usage of knowledge received from the second and third objective. The business idea includes a general description of the services and ways of doing business and a prediction based on interviews with representatives of existing companies.

1.3. Research methods

To reach the objectives, different methodologies were used in the study:

- Theoretical. With the use of this method it was possible find related literature and publications, read them and try to find an answer for such questions as the definition of the key concepts, outsourcing, and aspects of its usage, analyse the current situation with logistics in Russia and theoretical reasons to implement it in Russia.
- Exploration and generalisation of foreign and Russian experiences. The method of researching international experiences helped to find not only theoretical keys for success but some real life examples with the assumption that they would be useful in general. The exploration of the Russian experiences was important for us to be able to use next method.
- Comparison of Russian and foreign experience and achievements. The comparison was necessary here because it helped to determine the good points in the current situation, so it will not be ruined, but improved. Improvement was the most important point because a business idea should be interesting and profitable for the customers.
- Analysis to reveal services which were successful on the market. This was important because such services should be utilised in the business idea instead of random using foreign experience.
- Evaluation to compare the importance and demand for services. This was necessary for revealing those services that would suit for the early stages of the development of the business idea. Probably, it is not only the best services that are going to be used in the business idea later. However, in the beginning, it might be useful not to spend too much capital.
- Synthesis to generate services which might be utilised in the Russian market. Each country and each market have its specifics, and it required to be flexible in order to achieve something. The synthesis was a useful tool for combining some services and offering them to satisfy customer demand.
- A survey to collect data about the opinions of the people who worked for the targeted business group. This was the last, but not the least point because it aimed at the most important part of every business – the customer.

This method allowed us to gain feedback on one of the results of the current work.

It was difficult to find exactly medium-sized companies because none of them stated it on their websites. It was not hidden, but usually, it is not attractive for customers, and that is why it was difficult to find. Thus, the solution was to take a list of companies from an official catalogue of the Forum of (SMB Expo, 2014) SMEs in Saint-Petersburg, Russia. From this list, it was easier to determine medium-sized companies, and they received the survey.

The survey was created by using Google Forms because it has a wide range of options and it is free. In addition to that, it is possible to answer anonymously, which was thought to be important for big companies if they were asked to share confidential information.

The list of questions was short but very informative. It was realised that large enterprises would not be interested and find it very time consuming to answer a survey even for 10 minutes, so eight questions with multiple choice answers were made. Thus, those who would answer it would not need to write anything but choose between prepared answers. In a test survey, it took 3 minutes to answer all the questions.

The original survey and answers for it were not attached to the thesis because it was written in the Russian language as the probability to receive an answer, in this case, was higher than when writing it in English. Below is a translation of the questions:

- 1 Does your company often use outsourcing (for example, to carry out projects, periodic tasks or on a regular basis)?
- 2 How often does your company use consultancy services to optimise and improve existing processes / to start new?
- 3 How important is the role of logistics in the enterprise (transport, warehouse, internal)?
- 4 How are logistics questions solved in the company right now?
- 5 Is the company using or has it ever used logistics consulting services?
- 6 Which functions would be demanded by your company in the logistics consulting?

7 What would be the most important factor in the decision-making process concerning the use of logistics consulting services?

8 What is the probability that your company would be interested in logistics consulting services in the list if the price aspect was not relevant?

Questions 1-3 and 8 were with answers with a scale from 1 to 5 where 1 was an entirely negative response and five strongly positive. The other questions had single or multiple choice answers written in advance. In case of unforeseen answers, there was an answer choice "other" where the interviewees could write something by themselves.

1. Logistics

Logistics is a very broad term, and before going deeper into it, it needs to be given definitions for some concepts used in this work.

2.1 Key concepts

GRP

Gross regional product - at the national level GRP corresponds to the gross national product, which is one of the core indicators of the national accounts system. It is GRP as a generalised indicator that characterises the level of development of the economy of a specific region and reflects the results of economic activity of each of the subjects of the federation.

Outsourcing

“Outsourcing is a practice used by different companies to reduce costs by transferring portions of work to outside suppliers rather than completing it internally. Outsourcing is an effective cost-saving strategy when used correctly. It is sometimes more affordable to purchase a good from companies with than it is to produce the good internally.” (Outsourcing Investopedia) According to the data of the Outsourcing Institute (Outsourcing Institute, USA), outsourcing is a developing type of optimisation of the activities of enterprises, with the greatest growth observed in the sphere of finance and accounting. Statistics collected in 1997 by the American Management Association showed that already at that time, 20% of the 600 firms interviewed outsourced at least some of the financial and accounting operations, and 80% outsourced part of their administrative functions.

Logistics outsourcing

The phrase "logistics outsourcing" means the acquisition of a third-party inventory management service, transport of goods, their storage and everything related to these business process transactions. Organisational and Legal logistics outsourcing, allow operating without a logistical base (e.g.: transportation services company, advising on logistics).

Companies have accepted the international logistics terminology for performing services for manufacturers, suppliers and sellers of goods: 1PL, 2PL, 3PL, and 4PL.

3PL

“3PL stands for third-party logistics, a service that allows you to outsource operational logistics from warehousing, all the way through to delivery, and ultimately enables you to focus on other parts of your business.” (Gilliam, 2015)

Third Party Logistics (3PL) means the provision of logistics services and a range of services. The service provider's function is to organise transport management, accounting and inventory control, the preparation of import and export documentation and freight, warehousing, cargo handling and delivery to the final consumer.

Customs clearance

Customs clearance is a process of the execution of the necessary formalities arising in connection with the movement across the customs border of goods and vehicles.

Customs clearance includes: customs clearance and payment of customs duties.

This process requires observance of many procedures and limitations, so that failure to follow them may lead to delays or arrest of cargo.

Lead Time

Lead time is the amount of time between the order placed and order received. This parameter is aimed to be as short as possible, because while the goods are being transferred, money is “frozen” and does not generate a profit. In addition, the working time of the driver and transport should be paid.

Multimodal transport

Multimodal transport means transportation of goods under one contract, but made for at least two modes of transportation. This kind of transportation is used to deliver goods to such places that cannot be reached with one type of transport only.

Track and trace

Track and trace is a process of defining the locations of products at the current moment and in the past. The system is becoming more popular nowadays as time is money and precise planning of delivery can save plenty of it.

LPI

LPI stands for the Logistics Performance Index. "LPI 2016 ranks 160 countries on six dimensions of trade - including customs performance, infrastructure quality, and timeliness of shipments - that have increasingly been recognised as essential to development. The data used in the ranking comes from a survey of logistics professionals who are asked questions about the foreign countries in which they operate." (International LPI, 2016)

SMEs

SME is an acronym for small and medium-sized enterprises. These kinds of companies are dominating on the market. The key factors for determining an SME are:

- Number of staff members
- Turnover or balance sheet total.

Table 1 Characteristics of companies

Company category	Staff headcount	Turnover	Balance sheet total
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

2.2 Description

"Logistics represents a collection of activities that ensures the availability of the right products in the right quantity to the right customers at the right time. Logistics activities serve as the link between production and consumption and mainly provide

a bridge between production and market locations or suppliers separated by distance and time” (Kasilingam, 1998).

- **The purpose of the logistics:** the achievement of maximum efficiency of the company, increasing its competitiveness.
- **The main objectives:** to improve merchandise management, the creation of an integrated system of effective regulation and control of material and information flows, providing a high-quality product delivery.
- **The object of research and management** in logistics are the material flows, which are the main. Additional flows - information, financial and service.
- **The subject of the study** is the optimisation of logistics resources in a particular economic system in the management of significant and related flows.

Logistics as a term unites control and management of many areas within:

Procurement logistics: the main purpose of the procurement logistics is the satisfaction of production with materials to achieve maximum economic efficiency, quality in shortest time. Procurement logistics runs in search and selection of alternative suppliers of manufacturers.

Distribution logistics: a set of interrelated functions realised in the process of material flow distribution between wholesale buyers and sellers.

Sales logistics: an area of logistics aimed for distribution of the materials and additional flows (informational, financial and service) between the various consumers. It is vital in the process of the sale of goods where the primary objective - ensuring the delivery of the right products in the right place at the right time with the optimal cost.

Transport logistics: is a system for organisation of the delivery, for example, of any material objects, substances, etc. from one point to another by the optimal route.

Logistics transportation system means a complex of consumers and service providers, as well as control systems, vehicles, roads, buildings and other property. Another definition says that the logistics transportation system - a set of objects and subjects of transport and logistics infrastructure, along with material, financial and information flows between them, performing the function of transporting, storage, distribution of goods, as well as information and legal support of trade flows. (Elena S. Yudnikova, 2016)

Customs logistics - the area which is aimed at the smooth movement of goods across the border. Its purpose: the solution of problems related to the import and export of goods, and, of course, minimises the cost of these procedures.

Stocks logistics consists of inventory management solutions: what to buy or produce, when and in which quantities. It also includes a decision on the placement of stocks in production plants and distribution centres. The second element of inventory management policy is the strategy. You can manage the stock of each distribution warehouse separately, or it can be done centrally (requires greater coordination and information management). Inventory Management Enterprise – it is an integrated process that manages operations with reserves within the company and outside of it - throughout the whole supply chain.

Warehouse Logistics: the main objective is to manage warehouse logistics of goods received, processes with them, storage and further shipment of goods out of the warehouse. Warehouse logistics determines the rules for the organisation of storage facilities, working procedures with the products and the corresponding management processes (human, technical, information). It uses the most common methods of FIFO, LIFO, etc. For information and technical support for such processes can be utilised functional warehouse management system (WMS).

Information logistics - set of actions for the efficient distribution of the flow of information.

Integrated logistics: the system approach to the organisation of the entire life cycle of goods and related activities in the period from the date of manufacture of

its components until consumption. It is an effective system of management of material, information and financial flows related to the lifecycle of the product. An integrated approach to logistics processes allows reducing or neutralising risks of uncertainty, which is under the influence of the functional cycle of product life.

2.3 History

The term appeared initially in the quartermaster service of the armed forces and comes from the Greek. For the first time, it is used in treatises on the military art of the Byzantine emperor Leo VI (865-912). In the Byzantine Empire at the court of the emperor were "logistics", whose duties included the distribution of food.

Developed logistics methods can be found in different cultures of different eras. For example, the Spanish lawyer and economist of the 16th century, Juan Polo de Ondegardo, reported in 1572 that in the Inca Empire, officials were keeping records of the current necessary products for the Inca court, taking into account the place of shipment, the products delivered, the delivery time, and, possibly, the distance.

Especially brightly the logistics showed itself during the Second World War. This is due to the fact that the effectiveness of military operations is largely due to the coordinated and rapid provision of troops with everything necessary. Well-established joint work of military production, transport delivery, and logistics services made people think about applying military logistics experience in the peaceful economy. In the 1960s, logistics was gradually moving from military to civilian and then industrial.

Logistics as a new scientific direction began to develop actively in the 1990s. Interest in it is determined by the needs of economic and business development.

(Logistics history)

2.4 Global systems

During our research, it was used one particular system of the relation between customer, goods and stocks. In Russia and Finland, it is used European system, but there exist some other, and it is better to know them as well.

- The system used in the USA

The basis of the American system is the relationship of "resources - production". The opinion of the individual consumer about the product (quantity, quality, design, affordable price) here defines amounts of finished product. Data is collected by mail, telephone, questionnaires and observation in the field of sales. Information flows goes next way: the individual consumer - the manufacturer of the finished product - a manufacturer of semi-finished products - the supplier of raw materials.

The American system has the advantage that a sufficient balance is achieved when the number of produced items coincides with the number of potential consumers - supply and demand coincide. Another advantage is that storage option excluded large inventories of finished products and thus stocks of intermediate products - primary intermediates and material resources.

The disadvantage is that forecast may change by certain circumstances (change in fashion, increased competition) and then the balance is broken, and produced goods cannot find the customer.

- The system used in Europe

The basis of the European system is reversed for the American system.

The advantage of the European system is that it allows the individual consumer to purchase necessary goods (from the proposed selection) in almost unlimited quantities, as the system is based on the stocks of finished products in a wide range of each type produced.

A drawback of the European system is the presence of significant stocks of goods, which leads to additional storage costs. In this regard, it is noted that experts have long concluded that the freezing of funds in the material and technical resources are unprofitable.

To meet the needs of various types of intermediate and final consumer products in the US system provides the production of goods by forecast demand. The European system is based on giving customers the choice of particular products in the presence of significant volumes of stored.

- The system used in Japan

The Japanese system is fundamentally different from the US and Europe in the approach to the problem of production and its implementation. Its basis is the order. In this case, the seller must meet the demands of the customer, providing it is the commodity which he requested.

It is noteworthy that in the Japanese system of information and production logistics chain is "supplier of raw materials - the end user." Its distinctive feature is that the manufacturer of the final finished product is constantly in a state of waiting for the order from the consumer.

The advantage of the Japanese logistics system is the maximum manoeuvrability both in the order of finished product and in order of primary and semi-finished material resources. The end user does not select the item from the proposed nomenclature, and orders by your taste and requirement of personal goods.

Disadvantages of this system: the manufacturer is in constant anticipation of an order for the production of a specific product and, having received it proceeds to implement it, which takes a certain time. If the US and Europe, the end user does not expect the goods, and it quickly becomes (though not always the one that requires the individual purchaser), in Japan, we expect order, moreover, pay extra urgency of execution. Nevertheless, Western experts believe that the future of logistics - in the Japanese system. (Tulembaeva, 2008)

2.5 Future trends

The poll was conducted by 45 leading transport operators and heads of supply departments in the largest companies of various industries (Business Lines, Dyson, Sony, X5 retail, Siemens, LaModa, L'oreal, pharmaceutical, manufacturing, etc.), who believe that logistics is waiting for 3 The main trend in the next 5 years:

- Decrease in profitability of traditional logistics companies
- Customers of transport and logistics services, both large companies and individual consumers, become more demanding for the quality of the services provided and want to more control all processes.
- New players enter the market of transport and logistics services - technological start-ups, which can become a threat to traditional participants.

The results of the survey showed that the most popular and profitable transport and logistics market will be warehousing, freight transportation by rail and regional delivery in Russia due to the reorientation of many players to the domestic market because of economic and political instability in relations between Russia and its largest countries trading partners. (Logistics future, 2016)

2.5.1 Robotization

The logical continuation of automation of logistics is the robotization of warehouses and hubs. It will allow abandoning one of the most expensive components - human labour, which will make it possible to increase the number of warehouses to reduce the time for delivery of goods to customers. (Intrieri, 2013)

After completing the purchase, the system will independently determine the availability of the necessary goods in warehouses, analyze the delivery parameters and change the courier route, taking into account many factors, including time windows for delivery, the location of the courier and the road situation on the route,

the size and weight of the cargo, the transport characteristics and the degree of it Loading, availability of free docks at the time of expected arrival of the transport. Thus, the warehouse and the car can be connected to a single, self-maintaining system that will be monitored in real time by an operator who does not need to be directly in the warehouse. This will optimally load both transport and docks, not allowing queues to be generated in warehouses, providing the shortest delivery time, and also reducing the likelihood of errors.

2.5.2 The use of autonomous transportation

This trend is promising development in 3 big areas:

- Unmanned air transportation

At the moment, it can be seen the emergence of a completely new type of transport logistics, such as the delivery of goods by air with the help of drones.

Amazon said about its interest in the new delivery method: "We are pleased to introduce the Prime Air system - the future of the delivery system. It is designed to safely ship orders to customers in 30 minutes or less, using small unmanned aerial vehicles. Putting Prime Air into service will take some time, but we will let you know when we get the normative support necessary to realise our vision." (Amazon Prime Air)

Restraints the development of this market, both the lack of a regulatory and legal framework and the rudimentary state of related technologies and infrastructure.

- Unmanned automobile transportation

There is a rapid development of "drones" cars. At the moment, the standards of communication machines, standards of software interaction, regulatory framework and road infrastructure development strategy are being formed.

The market of unmanned vehicles can greatly change the logistics industry. Supply chain management systems of the new generation will have at their disposal unprecedented opportunities to optimise transport logistics.

- Unmanned sea transportation

Replacing people with "autopilots" in the next decade will affect the entire transport industry. This trend can be traced in sea freight traffic.

"The famous British company Rolls-Royce plans in the future to build large marine cargo ships without crews. In Norway, an experimental command post has been set up to manage unmanned container ships" the newspaper Tagesanzeiger reported.

2.5.3 Uberization of Trucking

The need for the use of telematics systems in the transportation of container cargo is constantly growing. Customers want to receive information about the location of their goods in real time. Telematics also helps transport companies to better plan the use of their resources. To ensure that dispatchers, among other things, have the ability to use the route tracking function, despite the use of different telematics systems, the largest transport platform in Europe TimoCom has connected tracking systems to the transport market. An agent independent platform for tracking routes provides interfaces for all popular European telematics systems. (Robinson, 2016)

3 Outsourcing

Outsourcing is the second biggest term which was used, and it is not only about logistics, but it exists in many other areas of business.

3.1 Description

The word "outsourcing" takes origins from English, made from the fusion of two words: "out" means "external" and "source" means where things come from. Outsourcing - is the process of transferring part of the company manufacturing or business process to another company who is an expert in this field. Delegating processes, not related to the primary production, but which are strategically necessary for the outsourcer, is usually a beneficial exchange.

3.1.1 Make or buy

"A make-or-buy decision is the act of choosing between manufacturing a product in-house or purchasing it from an external supplier. In a make-or-buy decision, the most important factors to consider are part of quantitative analysis, such as the associated costs of production and whether the business has the capacity to produce at required levels." (Make-or-Buy Decision)

Make or buy decision seems to be obvious because it should be cheaper to produce or perform something by yourself, as seller always has his marge and make option should eliminate it. But the question is not that obvious because it depends on many factors: quantity of products needed to be produced, the time consumed, labor was taken into the process, availability of process knowledge and etc. The list is long because on each named point there are several consequences and everything influences on core competence and success.

Nowadays there are three key areas for buy decisions:

- Manufacturing outsourcing. Part of the production functions transferred to a third party. For example, advertising agencies that use the printing production capacity.

- Business process outsourcing. Company transfers the internal business processes that are not the primary type of its activity. A classic example is the outsourcing of accounting services.
- IT-outsourcing. The information system of the company is transferred to the service organisations involved in technical support and software. The list of functions can be like this: website development, software support or development, maintenance of computer and related equipment.

3.1.2 Outsourcing process

Question “what to outsource” may seem complicated when business is working for a long time and doing everything by itself, but for emerging company which only begins to work figure below may help a lot.

All processes within the company can be divided into three areas: strategic competence, core competency, and outsourcing. First two are important to keep in-sourced because they would play a significant role and require a lot of attention to stay competitive and profitable in long-term. Strategic competence is entirely future-oriented, and company should keep in mind where they are going. Core competence is oriented on present day and without it company has nothing to do on the market.

Outsourcing combines all those activities which are needed to be done, but nei-

ther strategic or core competence. In this case, usually, it is wiser to trust proceeding with it to professionals who have it as a core competence.

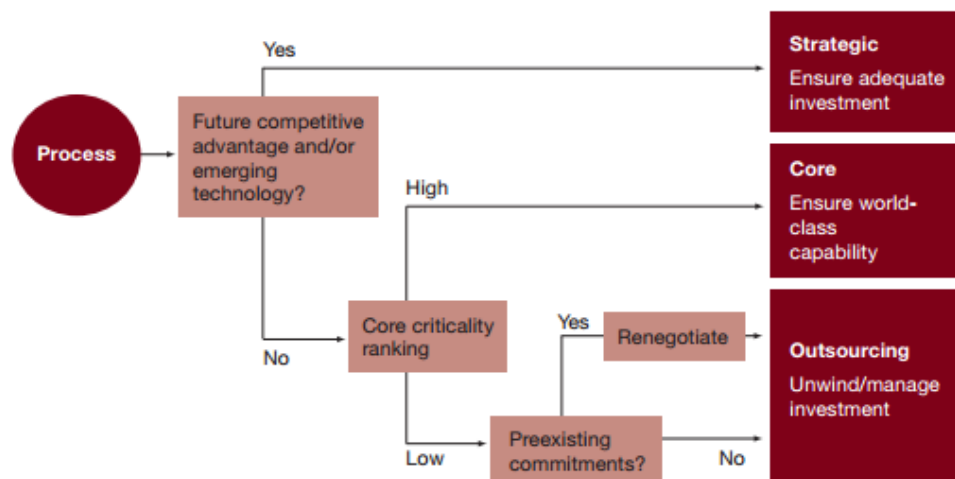


Figure 1 Guideline of identification of strategic, core and outsourcing processes. Source: (Booz & Company, 2011)

3.1.3 Outsourcing models

The differences between these five terms are based on percentage and location of outsourcing.

- Onshoring means transferring business processes to the low-cost region inside the national borders.
- Nearshoring is related to moving of some business processes to an external company located in another country but within its region.
- Offshoring refers to kind of outsourcing when work is done across national borders and in a distant cheaper location. Most common way of offshoring is related to the outsourcing of IT services as they are most easily transferable. (Price, 2016)
- Partial outsourcing is used when only part of functions is needed to be outsourced. In this case coordination of all activities is the responsibility of

company who outsourced, but the problem of distributing responsibilities within project – it is always question to discuss.

- Turnkey outsourcing is needed to transfer entire liability with some activities to an external provider. It means that not only execution but also coordination of these activities.

3.2 Reasons for outsourcing

Like every process, outsourcing is not a solution for every problem. Before implementing it, a company should realise advantages and disadvantages of applying it to their business so there will not be any surprising negative results.

3.2.1 Benefits of outsourcing

Outsourcing allows companies to increase efficiency in general and the use of vacant organisational, financial and human resources for the development of new areas or the concentration of efforts that do not require attention.

“Furthermore, more companies are looking to outsourcing providers as innovation centres.” (Rouse) It means that they are expecting the provider to give them some recommendation as they may have bigger experience in some areas.

“The effects achieved by European companies by transferring to a model of logistics outsourcing:

- The decrease in operating logistics costs by 8.2%
- Reduction in the average time from order to deliveries from 10.7 to 8.4 days
- Reduction of 15.6% of the cost plant and equipment involved in the logistics activities

- Reduced average inventory levels finished products by 5.3%”
(Deloitte, 2013)

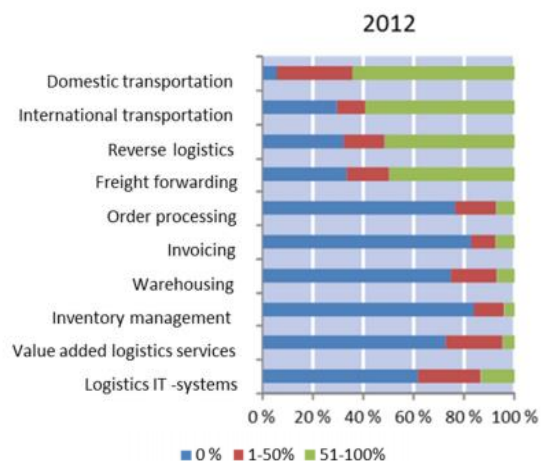


Figure 3 Trends in the extent to which logistics is outsourced in manufacturing companies 2012 Source: (Ministry of Transport and Communications, 2012)

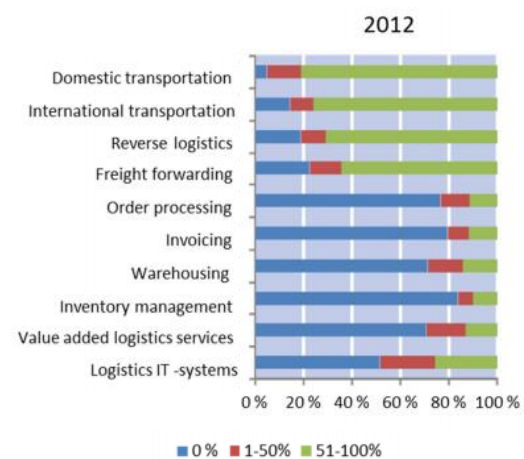


Figure 2 Trends in the extent to which logistics is outsourced in companies in trading 2012 Source: (Ministry of Transport and Communications, 2012)

As it might be seen in figures above there is a higher percentage of outsourcing logistics processes in transportation and forwarding than in IT-systems and inventory management, for example. There might be different reasons for that, but the question of trust and security of confidential information is one of them.

3.2.2 Disadvantages of outsourcing

Like everywhere in business life outsourcing has its disadvantages:

- “Creating and signing contracts takes extra effort and time from a firm's legal team.
- Security threats occur if another party has access to a company's confidential information and then the party suffers a data breach. A lack of communication between the company and the outsourced provider may occur, which could delay the completion of projects.” (Outsourcing Investopedia)

Advantages	Disadvantages
Freeing up of cash: investments can be concentrated on core activities	Increased dependence on suppliers
Optimal usage of knowledge, equipment and experience of third party	Continuous follow-up and monitoring of the supplier relationship necessary
Increased flexibility: fluctuations in the workload can more easily be absorbed	Risks of communication and organizational problems during the transfer of activities to a third party
Outsourcing leads to easier and more focused primary processes in the organization	Risks of leakage of confidential information
Input through an independent party's point of view which reduces the risks of introvert short-sightedness in the organization	Performance incentives and penalties
	Risk of losing essential strategic knowledge

Figure 4 Advantages and disadvantages of outsourcing

3.3 Examples

The pioneer of outsourcing production can be called Henry Ford. He was one of the first who understood that no company could be self-sufficient. Head of the automotive company wanted to supervise all stages of production personally, but soon he faced with exorbitant costs, care services for all activities of the enterprise. Then he asked for help from independent companies, who took over some of the tasks. Now, Ford produces only own 30% of the components, the rest of the production outsourced.

One of the most famous examples of outsourcing came from 1989 when Kodak decided to outsource its IT systems to IBM. After some time companies admitted that this step was revolutionary and began to do the same, but on that point, the decision was criticised and considered as a mistake and reducing company's power. However, they could focus on their core responsibilities and show others positive side of outsourcing.

Another giant who knows about benefits of outsourcing is the IKEA Company. They have no own production, but instead, they cooperate with 2500 suppliers, proven over the years. IKEA logistics functions are delegated to a third party. It

turns out that IKEA sends all its resources for the organisation of the retail business, while the other services and business infrastructure is put to outsourcing. (What is outsourcing)

3.4 Outsourcing of logistics

In logistics exists such term as a logistics provider. It is related to companies which are professionals in providing logistics services. They are good in solving problems of logistics companies which, of course, can rely on their own efforts, but sometimes it is wiser to involve logistics services providers (logistics outsourcing). There are the following types of logistics providers: 1PL, 2PL, 3PL, 4PL.

1PL - a small company operating locally or in their niche in logistics services.

2PL – operates traditionally, organises the entire transport of goods from point to point. Important to mention that 2PL is the only conductor because shipper is organising all contracts.

3PL - provider is not only organising but also providing transport himself

4PL - 3PL + logistics management. Logistics Management is based on the optimisation criteria (cost, safety, speed), and the cargo owner can agree not only about transportation but also about other moments (for example, to keep within the budget or to deliver as soon as possible, or to ensure the safety). (Logistics outsourcing)

3.5 Future trends

The main question is if outsourcing will survive in the future? The answer is yes. This market is growing and even changes in World economy cannot change it crucially.

Such service as FlatWorldSolutions.com pointed several positions which are in their belief would define outsourcing future. Our opinion is totally the same as their so here is the quote:

- “Outsourcing would be more standardised, and process and people driven rather than price driven. The economic crisis of the recent years has led to companies favoring standardized outsourcing solutions over custom made solutions which are more expensive.
- Small businesses, startups and SOHOs will witness a higher adoption of outsourcing in order to reduce the operational inefficiencies and increase their time to market
- Rising raw material, transportation and oil costs will make it important for companies to look at outsourcing in order to keep their operating costs low
- More high-end critical business functions will be outsourced in the next decade, while outsourcing of low-end services will stabilise
- Latin America and Europe might provide stiff competition to India as the favoured outsourcing destination
- As businesses move towards cloud outsourcing; support and development will increase
- Manufacturing and Pharmaceutical businesses will move to cheaper destinations, such as India to take the advantage of low labour and operating costs. “ (Outsourcing trends for the future)

4 Consulting services

Consulting is services, consultations carried out by specialised consulting companies for manufacturers, sellers, buyers and including the solution of a wide range of issues of economics, finance, law, foreign economic relations. Consulting companies can conduct research on commodity markets, licenses, as well as develop marketing programs, assess the conditions of export-import transactions, etc., upon customer request. (Consulting)

4.1 Description

Consulting solves issues of managerial, economic, financial, investment activities of organisations, strategic planning, optimisation of the company's overall functioning, conducting business, researching and forecasting sales markets, price movements, etc. In other words, consulting is any help provided by external consultants, in solving problems.

According to popular belief, the services of external consultants are mainly addressed primarily to those organisations that are in a critical situation. However, assistance in critical situations is by no means the main function of consulting. In which cases and who is seeking help from a consulting company?

First, in cases when an enterprise that has a reliable status outlines a restructuring of the entire system, connected either with expansion or with a change in the form of ownership, or with a radical change in the range of the enterprise's activities and reorienting it to more promising and/or profitable business lines.

Secondly, in cases when an enterprise that has the status of reliable, in order to establish its positions in the market and create the necessary image in the eyes of potential partners, turns to the services of a consultant, conducts an audit of its activities and then makes its results public.

And, finally, thirdly, in cases where the enterprise is in a critical situation (or even on the verge of collapse) and by its own efforts to get out of this position, it is impossible to get out due to lack of experience and internal resources for adequate

and timely reaction to the situation that has arisen. The services of a consultant (consulting firm) in this case are of a crisis-consulting nature.

4.2 Types of consulting

The services provided by the consulting company can take the following basic forms:

1. Analytical activity (analysis and assessment of the intra-economic and financial activities of the client enterprise, analysis of investment projects, studies of competitors, sales markets, price movements, etc.);
2. Forecasting (based on the analysis and methods used by the consultant - making forecasts in the above directions);
3. Consultations on the widest range of issues related to the activities of the client company and the market as a whole;
4. Audit of the activity of the enterprise-client;
5. Participation in the activities of the client enterprise (strategic planning, solving a set of problems related to the organisation of management in various areas of the enterprise, as well as the development and implementation of information systems, system integration, etc.). (What is consulting)

5 Reasons to implement logistics outsourcing in Russia

Before going any further, it is important to mention that this study concerned only Saint-Petersburg and Moscow. It is not the whole Russia, but according to the “Federal State Statistics Service” these cities and their regions are in the top 5 for GRP in the country.

5.1 Logistics in Russia

During the research process it was possible to conclude that logistics does exist in Russia but that it suffers from several problems:

1. The unbundling process in the transport market. The dynamics of the last five years indicate a worsening of the situation in the sphere of cargo transportation and logistics. The proportion of enterprises with a large number of vehicles was about 20%, while the share of small companies with a few vehicles already accounted for 55%.
2. The depreciation of transport and no attempts to renew it. Transport logistics services include optimisation of transportation costs. The use of worn-out vehicles is completely contrary to the idea of high-quality logistics services.
3. Information deficiencies, despite the apparent widespread computerization and automation of all processes.

Web-site “The World Bank.org” provides an impressive ranking based on the logistics performance of different countries. The score is international and based on a survey of logistics professionals who were asked about the countries in which they operated. It uses six dimensions to create benchmarks for the countries’ performance. In addition to that those dimensions generate an overall LPI index. As a result, scorecards allow us to compare countries in their logistics

performance. It is important to mention that result is comparative, and the success of one country depends not only on its achievements.

“Key dimensions:

- 1) Efficiency of the clearance process (i.e., speed, simplicity, and predictability of formalities) by border control agencies, including customs;
- 2) Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- 3) Ease of arranging competitively priced shipments;
- 4) Competence and quality of logistics services (e.g., transport operators, customs brokers);
- 5) Ability to track and trace consignments;
- 6) Timeliness of shipments in reaching the destination within the scheduled or expected delivery time.” (INTERNATIONAL SCORECARD)

The general LPI for Russia according to The World Bank is 2.57 on a scale where 1 is the lowest score and 5 is the highest possible. Russian result is considered as lower than the average stage of development if 1 is “not developed at all” and 5 is “best possible stage of development”. It would not be a problem if the question was about a small agricultural county, but here it is the biggest country by territory, the 6th largest by GDP (Wikipedia, 2017) and the 10th biggest in terms of population. It would be logical to see it on the first places when it comes to the development of logistics, but it is not like that, and it is a problem.

Right now the worst working dimension is the customs (2.01). It means that it is slow and difficult to process in which even mistakes are common. This kind of a situation would definitely be a bottleneck for other logistics processes as all of them are related to each other. Customs operations, in any case, are crucial for business in Russia because the country has strong international connections and hundreds of billions of dollars are related to this process (Ereport, 2015). Problems

with customs, lack of documents or time lags may cost a great deal and stop further development of the industry.

Out of six dimensions, the best one is timeliness, which means that on average, in half of the situations shipments reach their destinations with the scheduled delivery time. This could, of course, be better, but it cannot be improved earlier than when the other dimensions start working more efficiently. As practice shows – it is impossible to be successful in one part of logistics without taking care of the other aspects. All in all, the situation is not the best, and it should be improved.

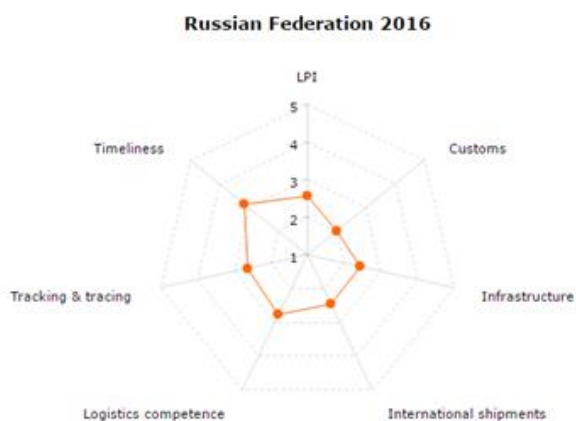


Figure 5 Scorecard for Russia 2016. Source: (Scorecard Russian Federation)

Russia is among the countries with a high level of logistical costs, which significantly reduces the efficiency of production and trade, adversely affects the

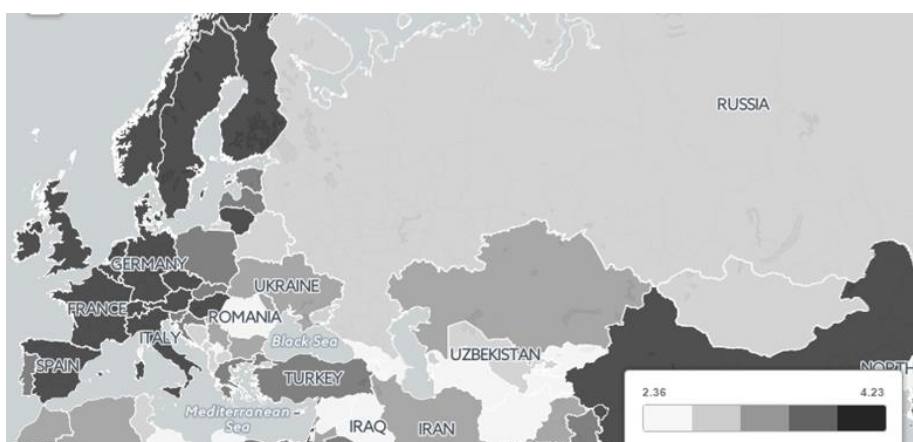


Figure 6 Level of LPI in Europe and Russia. Source: (International LPI, 2016)

To see the complete picture here are some numbers which are showing a place of Russian logistics in the World.

“Russia has the following characteristics:

- Systems of transparency and control – 79th place;
- Logistics quality and competence – 92nd place;
- Timeliness of delivery – 94th place;
- Infrastructure (including transport and warehousing facilities) – 97th place;
- International shipment – 107th place;

The share of transport costs in the structure of Russia's GDP - about 20% - among the highest in the world.

Without a solution to the traffic problems growth potential of the Russian economy limited - up to 3% a year over the next 5-7 years” (Diomin V.A.)

From this impressive quote, it may be concluded that Russian logistics services have enormous potential for growth and improvement.

The high level of logistics costs in Russia is primarily due to the inefficiency of the internal organisation of logistics companies, transport and logistics system in the country as a whole. It is multiplied by the vast distances and poor quality of Russian roads, poor placement of many industries and archaic organisation of delivery of goods from producer to consumer.

5.2 Outsourcing in Russia

In the Russian business practice for outsourcing, it is usually meant to transfer such functions as bookkeeping, translation services, and transportation services, support of computer network, advertising services and security. This range is broad enough to say that outsourcing works in Russia, but how many companies are transferring it to an external provider - difficult to know. According to Russian newspaper “RG” now only 20% of enterprises are using outsourcing somehow.

(Golubina, 2015) Collect accurate data about services which are in use seems impossible, but the same source assumes that it is related to accounting, legal, IT-, transportation, PR- and marketing. This information means that companies and people are already aware of the existence of outsourcing and if they have never tried it by themselves – they can easily find someone who did business with it and can give feedback.

More precise research has shown that the biggest problem for outsourcing on the current day is a question of trust. According to research, there is only 71.4% of outsourcing companies which are reliable and correlate to the service level of European companies. (Skachkov) It means that almost 30% are providing services bad quality or without liability. This tendency appeared on a wave of new “fashion” to outsource accounting, cleaning and some people decided to be dishonest to make more money. Of course, those customers who have tried it would give negative feedback for their colleagues and outsourcing will have a negative image in people minds.

5.3 Crisis and consequences

The currency crisis in Russian began at the end of 2014 and still lasts. Since the beginning of it, companies which were related to operations with foreign currency such as Euro and Dollar were afraid of investments and even additional purchases of goods in order not to lose much with currency changes. They began to cut extra costs, fire those sectors which might be not very useful.

Now the market is going back to the level which it had before crisis and opening back a lot of vacancies. The figure below shows as rapid grow in jobs in Saint-Petersburg since the end of 2015 and slowing down in the growth of resumes may lead us to the idea that labour is taking those positions, but the market still has the potential for growth.

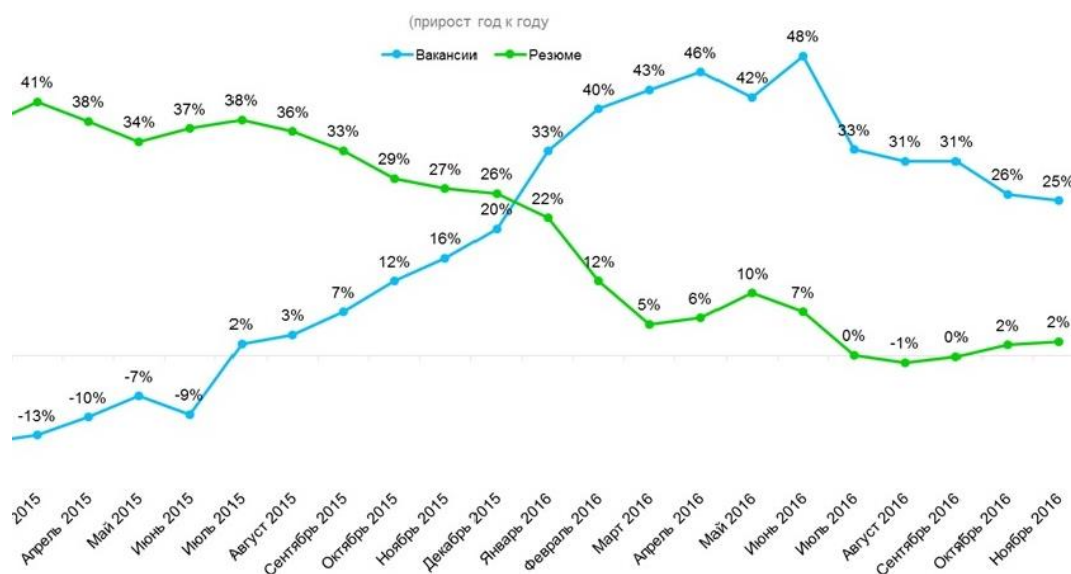


Figure 7 Dynamics of vacancies and resumes in Saint-Petersburg, 2015-2016. Source: (First results of 2016 about labour market in Saint-Petersburg, 2016)

Trends, in general, are clear, but it is better to take a closer look on spheres which those vacancies cover on the example of Moscow. As it can be seen from the figure below, some vacancies are growing, and transport and logistics are top 3. Exact figures are not known for us, but estimations that this change may be around several hundred jobs seems real as there are more than 8 million citizens in working-age.



Figure 8 Changes in a number of vacancies, Moscow 2016. Adopted: (hh.ru, 2016)

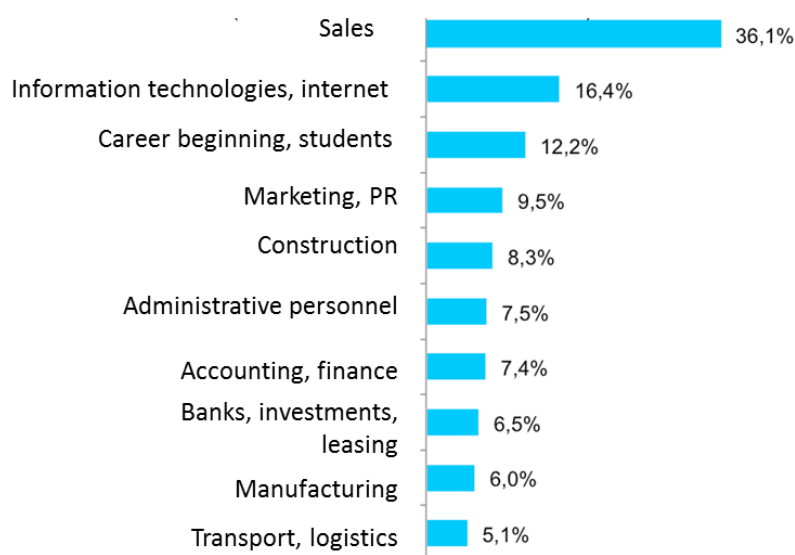


Figure 9 Structure of vacancies in Moscow, January 2017. Adopted: (Career, 2017)

Figure 9 is representing top 10 most proposed vacancies in Moscow in January 2017. For us, it means that logistics is becoming to be demanded profession where companies are needed for specialists.

The author was doing research for his personal use and, unfortunately, expectations for professionals are very high and he, as a person with an education in this sphere and two years working experience – not fulfilling their needs.

Hence was found a problem: the market has demand, but there is no such specialist to call their expectations. Or if he exists – he is not willing to change his position because it is risky in a crisis. And here we are heading back to the idea that while the market is in need of some services and specialists – it should be proposed them.

On the other hand, it should be taken a look back and analyse how the market behaves during the previous economic crisis in Russia. It was clear that companies were forced to cut expenses and one of the first decisions was connected to outsourcing. In the opinion of the author of “Business Journal,” it is reasoned by the question of trust to outsourcing companies. (Business Mechanics, 2010)

6 Comparison of logistics services companies in Russia and Finland

To continue the research it was chosen Finland as a country to search for real-life examples of logistics businesses. It was reasoned by author's personal awareness of their culture and business life, by studies in JAMK (Jyvaskyla, Finland) and tendency in taking good experience from our "North neighbours" by Russians. Regarding logistics both countries are located on North which means difficulties with some transport in winter time; they are not transit countries as there is nowhere to go any further; they have a low density of population with high distances between cities.

Coming back to LPI score cards it is clear that exists a significant difference between these two quite similar counties, in our point of view. 3.92 against 2.57 is dramatically differs counties.

This radar chart is revealing the balanced development of every dimension defining LPI in Finland, and it means that none of them is slowing down work of another dimension because, as it is known, everything in logistics is connected and lag in one step can influence on every following step.

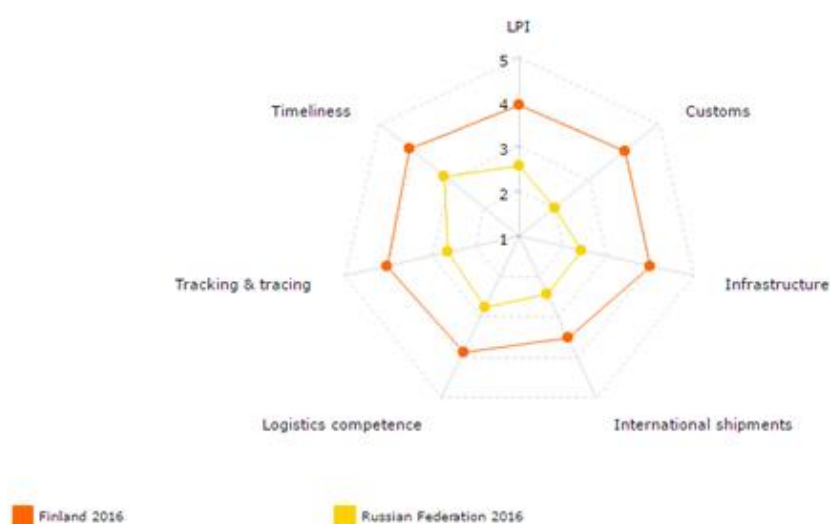


Figure 10 Comparison of scorecards for Russia and Finland in 2016. Source: (Comparison of Russian and Finnish scorecards)

6.1 Example of six Finnish companies

From a broad range of logistics services providers, it was chosen initially Finnish ones and explained them in brief with the accent on services which they propose to end customer.

All information is taken from source Logisticsfinland.com which was found reliable to search for logistics providers. Maybe there exist some others, but this source fulfilled our search expectations and proposed companies which are used by real customers.

6.1.1 „CHS“

CHS is a private Finnish company with wide range of offered services: international freight forwarding, warehousing, as well as supply chain management and logistics services.

CHS has special expertise in logistics services related to Finland, Russia, and the CIS-countries. They are known as a logistics partner to the Finnish Olympic Committee.

They propose a broad variety of services, but only a few of them available for outsourcing. The main focus is made to adjust each service for company's needs. "We will help you in finding a suitable solution for outsourcing through developing processes and keeping costs at bay. This will free your company more time to concentrate on your core capabilities" (Outsourced logistics, CHS).

6.1.2 "Spedman Global Logistics"

"Spedman Global Logistics is committed to providing the international trade community with high-value services in all areas of international logistics enabling the importer/exporter to focus on their core activity" (Spedman).

Customer may find full coverage of air, sea and road transportation proposed by Spedman. For example, maritime transport looks covering all important points:

In addition to that, it can be found on their web-site such a point as “project cargo”. It is interesting as it is rare to find a company which can be flexible for all customer needs. Nowadays there are still many projects which exceed some standard limits, and in this case, the client is really in need for a logistics provider to be flexible and well prepared.

And the most exciting service called “Warehousing & Distribution”. The company does not have any sources for providing storage space or distributing, but they are ready to consult customers. Quote from the web-site: “We listen and suggest the best solutions for your needs. You make the decision.” (Spedman)

6.1.3 “Polar Group”

Polar group is all about logistics, and it includes three companies within:

Polar Logistics with a full range of basic transportation services; Polar Plus is more aimed for businesses that are willing to outsource processes or to add specific know-how; Polar Connect – “is a one-stop-shop for personalised, integrated and “outside-the-box” solutions”. (Polar Group)

6.1.4 Others

On the Finnish market, there are some other companies which propose outsourced logistics services. They don not have a broad range of services, but with a focus on some particular areas, they determine their core activity. Here are some examples:

“Tuko Logistics Cooperative” - provides groceries assortment, purchasing, and logistics service provider.

“VR Group” - a broad-based transport company. Serve freight service customers and public transport customers with rail and road transport services.

“**KWH Logistics**” consists of four business units: KWH Freeze is focusing on **cold storage** and in is Finland’s leading commercial cold storage company. Port & Sea, Freight Forwarding, and Industrial Services are aiming at **port operations, freight forwarding** and **industrial services**.

6.1.5 Table with results

The following chart is presenting all services which were found by me on official websites of companies given earlier. Each line in the table represents similar or same services provided by each company - for easier and more demonstrative comparison.

Table 2 Services of Finnish logistics companies

CHS	Spedman Global Logistics	POLAR Group	VR Group	Tuko Logistics Cooperative	KWH Logistics
Road	Road	Road	Road	Road	Road
Air	Air	Air			Air
Rail	Rail	Rail	Rail		
Sea		Sea			Sea
Warehousing		Warehousing	Warehousing	Warehousing	Warehousing
		Freight forwarding	Freight forwarding		Freight forwarding
Transport planning	Project management	Project logistics	Planning services		

Consulting		Consulting	Consulting		
			Temperature-controlled transports	Temperature-controlled storage	Cold Storage
	Door-to-door delivery	Door-to-door delivery			Door-to-door delivery
	Oversized shipments	Oversized shipments	Oversized shipments		
	LCL				LCL
	Customs clearance	Customs clearance	Customs services and clearance		Custom clearance
		Track & Trace		Track & Trace	
Packing, loading and unloading services	Loading and unloading services	Loading, unloading, and re-assembly of heavy equipment	Loading and unloading services		Loading and unloading services
	Transport documentation		Transport documentation		Transport documentation
				Import expediting	Full import service

				Terminal services	Port operations
			ICT services		
		KPI for data, statistics, and analysis.			
		Supply chain management			
		Logistics outsourcing and full logistics leadership			
		Cash flow and risk management			
		Logistics administration			
			Dangerous goods transportation		

6.1.6 Analysis

To begin, it is clear that the most important point that all companies are providing road transportation. Even of Tuko Logistics and VR Group, regardless that their core business competencies are other kinds of logistics – they are also trying to meet any customer demands.

More than 80% of providers have in their arsenal warehousing possibility and same percentage is ready to assembly, pack or load/unload goods. Here is interesting that Tuko Logistics has a warehouse, but do not provide services to handle products and at the same time Spedman Global Logistics provides it without own warehousing services. In the case of Tuko Logistics, it is reasoned by storage of food products, and there is nothing to assembly or pack. Loading and unloading maybe not mentioned on web-site because on their warehouse it is evident that they are loading by themselves and it is not additional service.

In the table, can be seen that four out of six companies are proposing to deliver goods by train and by air because in Finland this kind of connections are well developed and have strong international importance. It is surprising that only half of respondents can use sea transportation which has the same or maybe even higher importance for the country because the biggest part of goods from Europe is coming exactly by this way.

Project planning service is able in 4 out of 6 companies, and it means that they might be highly involved in projects or the opposite: just sell these plans and so other providers or customer by himself would do it. As well, from the same number of companies, it can be found customs clearance, but only 3 of them can take care of documentation. It might be a signal that they are not focusing on international freight. It is surprising because according to Finnish customs import and export only to Russia is 14% of their foreign economic activity. (ved.gov.ru) And to do business with Russia companies are forced to deal with plenty of paperwork. But on the other side, it means that core competence of other three companies is aimed at internal and European market activity.

Half providers are forwarding freight, taking projects with oversized goods, storing and transporting with temperature control and delivering from door to door. In

general, it might be enough if you are searching for only one of listed services, but if you need a combination of two or more, it would require the additional effort of the provider or even cooperation with some other.

As well, it can be seen that half of the providers are ready to consult about logistics and processes which customer may do by them self which is outside of their core competence. It is sage to use it because in case they have resources to do it – it is optimal to do it best possible way! Consultancy is not expensive but may save a lot in the long run.

Only one-third of companies propose to send LCL containers, tracing services, services in terminal/port and import services. In our opinion, it should have been met more frequently, but companies have experience and know what customer is expecting and searching for.

Strange to see dangerous goods transportation only from one provider, but in Europe, it is strictly regulated and difficult to receive this allowance, so not everyone can afford it.

There are plenty of services which could be found only from one provider: KPI for data, statistics and analysis, supply chain management, logistics outsourcing and full logistics leadership, cash flow and risk management, logistics administration.

6.1.7 Summary

Finnish companies exist on developed logistics market, and they are proposing services which are out of their core business. It means that they have found it profitable and not afraid to develop further to be more competitive. Almost everyone is trying to have lots of standard services, and only a few of them are going further to add something new and not that popular yet. In our opinion, it means that even though the market is developed – it has the potential for future growth which may be seen in next years.

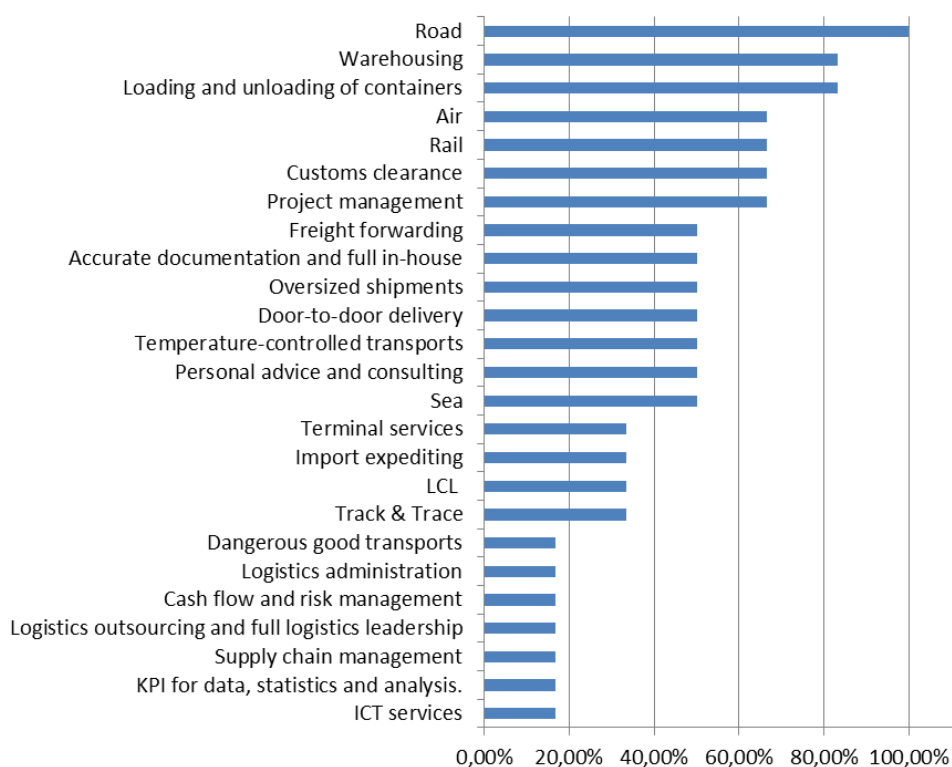


Figure 11 Percentage of services appearance in each company, Finland

Figure number 11 is graphically representing the percentage of presence of services in researched companies.

Figure number 12 is based on research of international consulting company “Capgemini” (Terry, 2014), and here can be noticed that their research results and mine are correlating to each other, of course, with attention to the scale of student research.

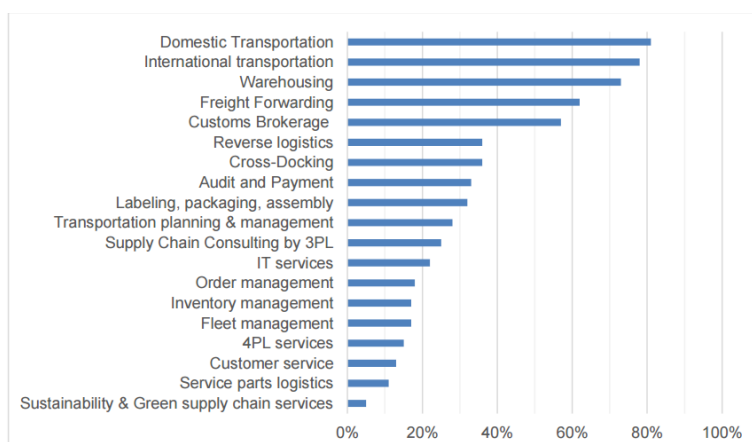


Figure 12 Shippers continue to outsource a wide variety of logistics services. Source: (Terry, 2014)

As our results and results of “Cappgemini” are correlating to each other, it means that sample which was analysed is representative and allows us to compare it to Russian companies.

6.2 Example of six Russian companies

Companies for research about Russia were found not on one source, but a simple search in google.com revealed those operators who are the most popular ones for real customers.

6.2.1 “Your auto”

Company “Your auto” was established in Saint-Petersburg in 2008. They are combining transportation services, guarantee timely delivery, complete control of the movement of the goods and its safety. It was achieved thanks to the coordinated actions of all employees of the organisation at every stage and the availability of proven, reliable technology. (Your Auto services)

6.2.2 “Rail Continent”

"Rail Continent" - a large Russian forwarding holding company founded in 1999. Today, they provide a full range of services for the delivery of rail and road transport any consignments from one kilogramme to transport units. (Rail Continent)

6.2.3 “SpetsTransGroup”

"SpetsTransGroup" Ltd. - a young, ambitious, dynamically developing logistics company. They are focusing their logistics knowledge and experience on transport

services in the oil and gas sector, plus additional service such assembly/disassembly of drilling rigs (SpetsTransGroup).

6.2.4 “Trans Business Logistics Operator”

“Trans Business Logistics Operator” is part of the group of companies Trans-Business, which operates in the market of customs services, logistics, marine, automotive, aircraft, rail transportation and legal services since 1994.” Transport company TB Logistic - it is much more than the transportation of various cargoes from point "A" to point "B". We offer a full range of transport services. High professionalism and a lot of experience help us to solve the most complex tasks, corresponding to the high demands of our customers”.

6.2.5 “ALIDI”

“ALIDI” - a leading Russian distributor and logistics company, founded in 1992 in Nizhny Novgorod. Today ALIDI has branches in 28 regions of Russia, including Moscow and St. Petersburg, as well as in Belarus, Kazakhstan, and Kenya.

6.2.6 “LOGISTICS SERVICE”

"LOGISTICS SERVICE" - an expert in developing and providing optimal logistics solutions for all existing customers' needs. They use advanced navigation and computer systems. They have established a modern logistics centre and provide a full range of services including warehousing. The company offers a broad variety of additional services.

6.2.7 Table with results

The chart below is formed in the same way as for Finish companies: presenting all services which were found on official websites; each line in the table represents

similar or same services provided by each company - for easier and more demonstrative comparison.

Table 3 Services of Russian logistics companies

Your auto	Rail conti- nent	SpecTrans- Group	Trans Busi- ness	ALIDI	LOGISTICS SERVICE
Road	Road	Road	Road	Road	Road
		Sea and river	Sea		
	Rail	Rail	Rail		
		Air	Air		
LCL	LCL		LCL		LCL
		Warehous- ing	Warehous- ing	Warehous- ing	Warehous- ing
Cold trans- portation			Cold trans- portation		Tempera- ture-con- trolled transporta- tion
	Container Shipping	Container Shipping	Container Shipping		
Oversized shipments		Oversized shipments	Oversized shipments		
		Customs clearance of goods and	Customs clearance of goods and		Legal sup- port

		legal support	legal support		
				Loading and unloading services	Loading and unloading services
				Cross-docking	Cross-docking
Door to door delivery	Door to door delivery		Door to door delivery		Door to door delivery
			Outsourcing of foreign economic activity		
			Consulting		
			Multimodal transportation		
		Dangerous goods transportation	Dangerous goods transportation		
	Urgent deliveries				

6.2.8 Analysis

Even though introduction was a bit pessimistic about logistics in Russia, it was wrong, and detail analysis has shown that logistics exists there on a broad basis. A range of basic logistics services can be seen provided for customers and even some

additional which are not very developed yet, for example, in Finland. In any case, data found in WorldBank.org cannot be rejected because the performance of existent services is still small, but a closer look at services is necessary.

Within Russia, you can reach every destination by road, sometimes by rails and only a few by sea. Here it can be seen a representation of this fact by the appearance of respective services. Each provides road transportation, half – rail and one-third by sea. Air connections, in general, are good, but it is expensive, so here only two companies have this service. It is cheaper to send it by a truck as labour is cheap and in case if time is not crucial – it is the natural solution.

Four out of six providers propose LCL services, warehousing, and door to door delivery. I think that it tells us about the flexibility of providers which are trying to satisfy different sized companies with different needs. Small business in Russia is very broad and leaving them without attention may cost a lot of money.

Half of researched companies provide legal support, container shipping and delivery of oversized goods. Here it is important to mention that legal support should have been more widespread because laws are confusing and always changing.

Only two out of three companies which deliver oversized goods and have legal support are ready to provide transportation of dangerous goods and customs clearance. Russia has strong import and export connections, and questions with customs may appear frequently, so only two companies seem not enough.

Around 30% of respondents would provide cargo handling and cross-docking services regardless that 60% of them have warehousing possibility. It is surprising but might be reasoned by the existence of some trust issues to third party companies in business.

Only one company is providing consultancy services, but it is clear that this service should have interest by customers as logistics exists almost everywhere and not everybody has enough sources to order full coverage from logistics providers.

Important to notice that this part of research does not include any logistics services which are not related to goods. I was searching for it, but it is not provided by logistics companies in Russia.

6.2.9 Summary

Russian companies are in the situation when they are not able to have a wide range of services, and they need to focus on some particular area – core competence. Of course, some are proposing a full range of standard services and some additional, but they have done long way before it, and now, when they have their well-known name it is easier to experiment but still risky. Not everyone is ready to lose their money, and it is slowing down the development process.

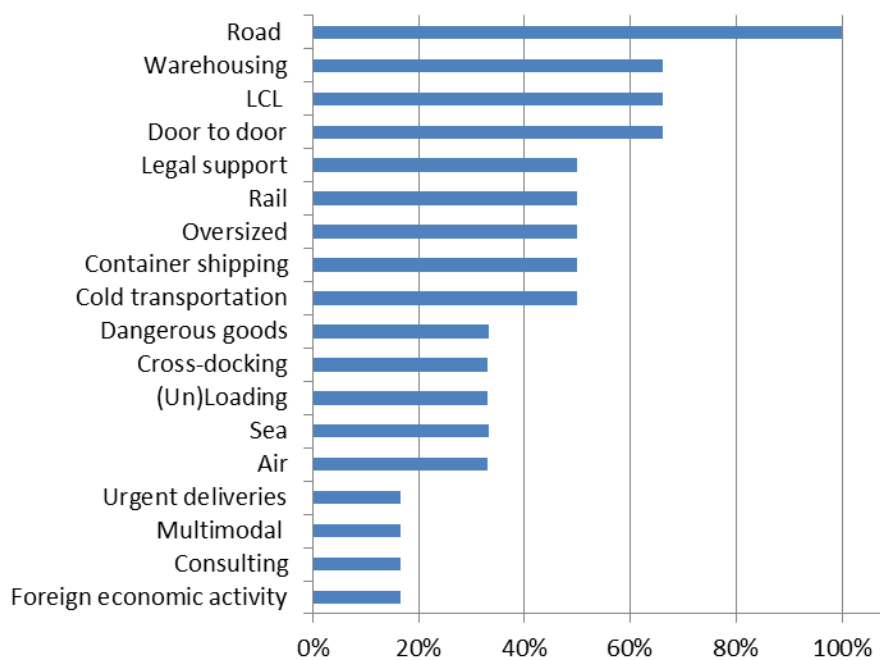


Figure 13 Percentage of services appearance in each company, Russia.

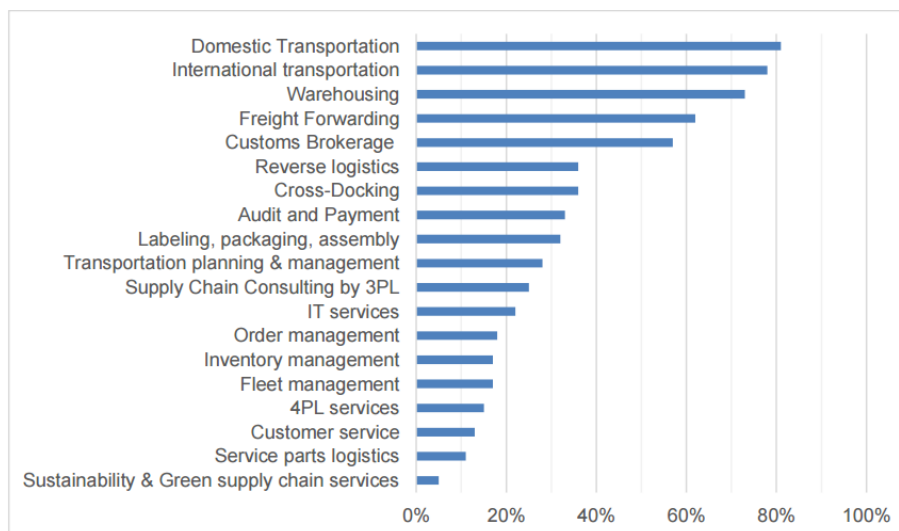


Figure 14 Shippers continue to outsource a wide variety of logistics services. Source: (Terry, 2014)

In the case of comparison our results and results of Capgemini it can be seen less correlation than in situation with Finland, but still, some trends are the same. For example, warehousing, cross-docking, and consulting services. Fewer similarities are still fine for our research and do not contradict because Capgemini analysis was done for Europe and it should not be similar in Russia yet.

Research agency RBK in 2012 did their research about the structure of logistics services in Russia. Results of their study are shown in figure №15. Here can be seen the massive domination of transporting services and a small presence of freight forwarding, warehousing, and distribution, logistics management.

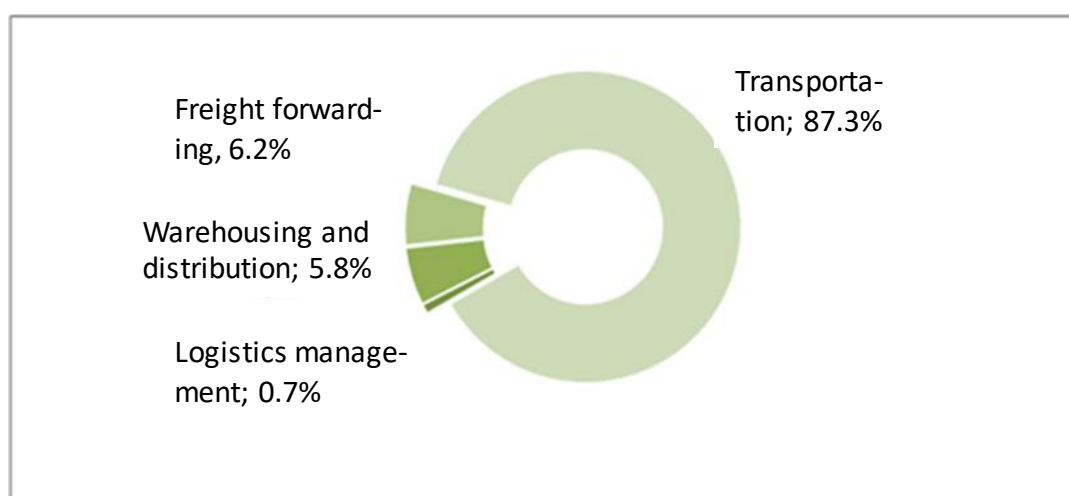


Figure 15 Structure of Russian logistics market, 2012. Adopted: (RBK, 2013)

6.3 Comparison of logistics services in Finland and Russia

In both analyses, there are six companies which represent most accessible and easy to find logistics providers. Some of them have specialisation, and some are trying to cover every aspect of logistics.

In general, Finnish companies are proposing a wider range of services: 25 against 18 (number of all different services). It is almost 1.4 times more, and it is a lot for the sphere which is still growing.

In addition to that, each company in Finland has a wider range of services than in Russia. In average Finland has 11.17 for each company and Russia 7.16 (amount of all proposed services divided by a number of companies). It means that if you have a big complicated project in Russia, you may need combine services from several providers.

Here can be noticed that some services are appearing in both tables with almost same frequency (± 1) and it will not take too much attention as it is pretty close results because of the scope of research. But those services with bigger differences are important. To raise the level of logistics services in Russia, it needs to pay high attention to significant differences which exist right now and suggest them for improvement.

In Russia, there is a lag with air transportation, customs clearance, track and trace systems, cargo handling, terminal services, and consultancy. In addition to that, there is no ICT services, freight forwarding, and project management, KPI for data, supply chain management, logistics outsourcing, full logistics leadership, logistics administration, cash flow, import services or risk management.

The list is big, and it can be seen the absence of plenty of services which may be explained only by the general development of logistics in Russia. Maybe they are attractive to some customers, but providers are not ready to provide it, and not enough customers require it, so there is no need for establishing it yet.

On the other hand, Finland also has some gap with services: they totally do not have cross-docking, container shipping, outsourcing of foreign economic activity,

multimodal transportation, legal support or urgent deliveries. Most of these services are targeted for big enterprises with big volumes of goods to be transported. As the structure of Finnish business is known, it seems reasonable that they do not use such services and do not propose them as well.

Table 4 Comparison of logistics services in Russian and Finland

	Fin-land	Russia
№ of all services	25	18
Services per company	11.17	7.16
Road	6	6
Air	4	2
Rail	4	3
Sea	3	2
Multimodal transportation	-	1
Warehousing	5	4
Freight forwarding	3	-

	Fin-land	Russia
Container shipping	-	3
Customs clearance	4	2
Legal support	-	3
Cross-docking	-	2
Transport documentation	3	3
Import services	2	-
Outsourcing of foreign economic activity	-	1
Terminal services	2	-
ICT services	1	-

Project management	4	-
Consulting	3	1
Temperature controlled services	3	3
Door to door	3	4
Oversized shipments	3	3
Dangerous goods	1	2
LCL	3	4

KPI	1	-
Supply chain management	1	-
Urgent deliveries	-	1
Logistics outsourcing & full log. leadership	1	-
Cash flow and risk management	1	-
Logistics administration	1	-

As a summary, it is clear that it is relevant and exciting to analyse differences from all points of view, but absence or lag with some services in Finland does not show us anything important to improve in Russia so that all attention will be focused on the Russian side.

List of significant differences is filled by 15 services which are all important in general development of logistics in Russia. Every each of them is making a small step towards raised level of logistics service level. It is impossible to implement them all at once, and this process should be natural and connected to customer demand. It is hard to predict consumer demand, but in next part of the thesis, there is a survey which would show some trends.

In general, even though it is good to want to improve the situation with logistics in Russia – it will not be enough just to write a thesis about it, but government and companies should invest into development of this sphere. This question would require money and time to be improved, so our idea of business which would help to boost logistics services in Russia is still real and profitable, but it is risky at this stage and require huge capital, to begin with.

During our work with analysis of companies, I have noticed one thing, which may be a good start or intermediate stage before being logistics provider. Such service as consultancy is unites almost every aspect listed in “lag list” and even those which exist in better condition. Consultancy can answer to every question which customer has and only requires the availability of specialists in this area. It does not need own transport fleet or warehouse. No special equipment or license for dangerous goods transportation, for example. In our opinion, consultancy may be an answer for the search of services which are necessary to be proposed in modelled logistics business.

7 Consulting services in Russia

Out of broad spectrum of logistics services, it seems reasonable to take as business idea consulting services because it is still logistics and outsourcing how it was planned at the beginning of thesis, but it is the narrower topic and wiser step because of reasons explained earlier.

As a business idea already exists, the last objective is to analyse if potential customers are willing to use this kind of services. Of course, it is not that simple to ask if they would do it or not because they're needed to be found, logistics portrait of them created and then analysed answers. To do it, it was decided to do a survey which seems like the most appropriate decision.

7.1 Current state of logistics consulting services in Russia

Purposeful search for logistics consulting services has shown that there are some companies which are ready to propose such services. It was a surprise but on the

other hand, the author has never been working in this sphere and may not know a lot of things. Some of the companies presented further were not established in Russia, but I think that it does not matter for us now because they are working on the Russian market and working with our potential customers.

Biggest our future competitor is Bestlog (About Bestlog company). They are carrying projects around the world, but originally they started in Russia. They have a wide client base with big enterprises and cost of their services is impressive. It is not the best indicator, but the price for their services is high and it may mean they are effective and popular.

Next one is Axelot (Axelot logistics consulting). The company which focuses mainly on warehouse consulting and on some close related aspects. They have a wide range of services to cover and trying to have in their arsenal last trends in this sphere.

The third biggest company is Solvo (Consultancy Solvo). They are also focusing only on warehouse logistics, but they do not have that many services as Axelot. But nevertheless, they have training and seminars for customer's labour about warehousing systems. It should be profitable because I have not seen anyone else doing this but on the other hand, it is decreasing the chance that in the future the same company would use their services because they know a lot by themselves.

It can be seen that there are some potential competitors for our business but as well it means that this area is already developing and customers are using such services. Unfortunately, Russian specifics of business mean that there is always someone who is dishonest or at least incompetent. So, some of those already existing companies are making a good image for logistics consulting but some are ruining it and customer will not use it again and probably would suggest not to do it to some other companies. As a result, it should be told that trust is not growing or going down because good and bad companies are changing the image of consult-

ing simultaneously. In addition to that, last crisis has shown that all projects related to consulting were frozen and it is not promising to change in the future. (Yurova, Saint-Petersburg)

7.2 Survey results

It was sent 66 emails for companies which were listed in Forum official catalogue and received 13 answers. It means that around 20% of asked companies have decided to answer. To collect enough answers (at least 100) for making conclusions it means that I should have sent approximately 500 emails. It is very time consuming, but moreover, it appeared to be difficult to find such companies. Hence, the work was done only with data which was collected and made conclusions with a discount on a number of received answers.

All collected data was automatically handled by Google Form and presented for me in graphs. Below all these figures are shown, and the only thing that left is to analyse them. On axes y there is a number of answers and on axes x numbers from 1 to 5 which means such answers as “never”, “rare”, “sometimes”, “usually” and “always” respectively.

1. 38.5% of companies said that they do not use outsourcing to carry projects or on a regular basis. Other companies are using it with different frequencies, but not always. None of the respondents answered strongly positive about the usage of outsourcing.

In general, this result approves information gained during theoretical research about the usage of outsourcing.

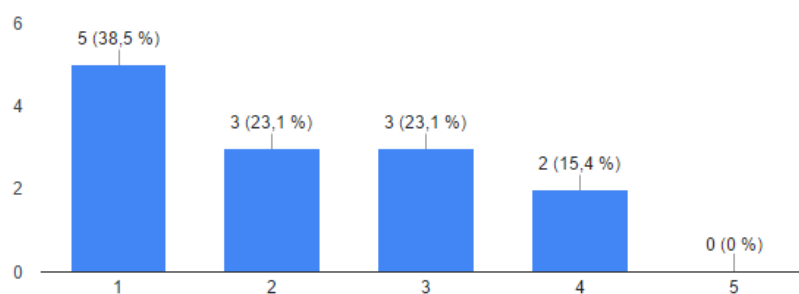


Figure 16 Percentage of companies using outsourcing with different frequencies.

2. Consultancy is not used by 38.5% of Russian businesses that took part in the survey. 15% and 8% of respondents are using it rare and usually, but almost 40% are using it sometimes. It means for us that consultancy is a bit stronger on the position in business than outsourcing. Again as in the previous question, there was not received any answers for “always” option.

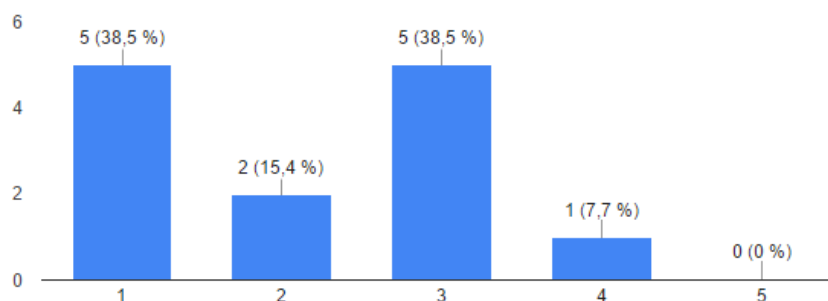


Figure 17 Percentage of companies using consulting with different frequencies.

3. From question number 3 was concluded that logistics is somehow relevant in more than 90% of interviewed companies. For 60% it plays a significant role and hence makes a big influence on assets and profit because if logistics on a bad level – it makes extra cost.
If logistics is necessary, but companies do not use that intensively outsourcing of consultancy – it requires to know how they solve their problems related to this sphere and here was the question number 4.

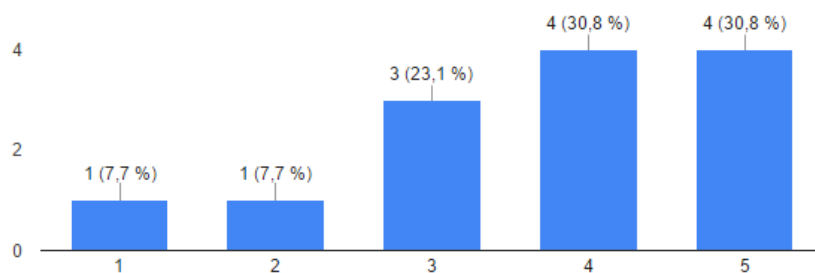


Figure 18 Importance of logistics for companies.

4. The majority of answers are linked to the existence of department/specialist in company or person who is sorting out logistics issues. About phenomena of existence in businesses these individuals, who don't have any special education it already written in the introduction, and here are the evidence for it.

According to answers to this question, only 15.4% of enterprises are using consulting to solve logistics problems, and it may seem not correlating to results of question number 2, but it is already about logistics consulting – not consulting in general.

7.7% of respondents don not have logistics, and it complies with question number 3.



Figure 19 Share of a different approach to logistics executions in companies.

5. Results for this question are showing us that majority of companies have never used logistics consulting services, but 31% is already a lot if it would take into consideration situation with logistics in Russia in general. This trend is excellent, but, of course, it should be analysed after some time again to see if this sphere is developing.

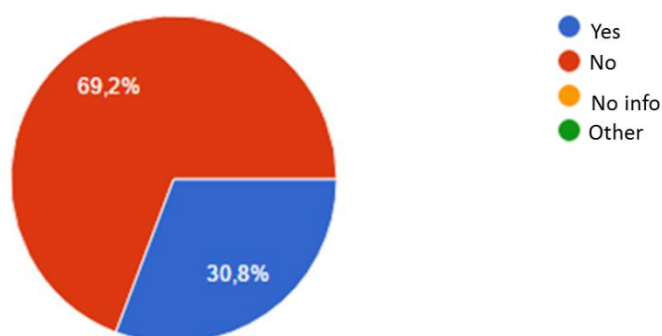


Figure 20 Share of usage logistics consultancy.

6. With this answer, it was received data which is showing demand for different logistics consultancy services. It is organised not by demand, but by original order of replies. Still, it can be seen the correlation with services which are proposed by outsourcing companies in Russia. It means that trends in outsourcing and consultancy are close to each other and that results of our survey representative for future use and research.

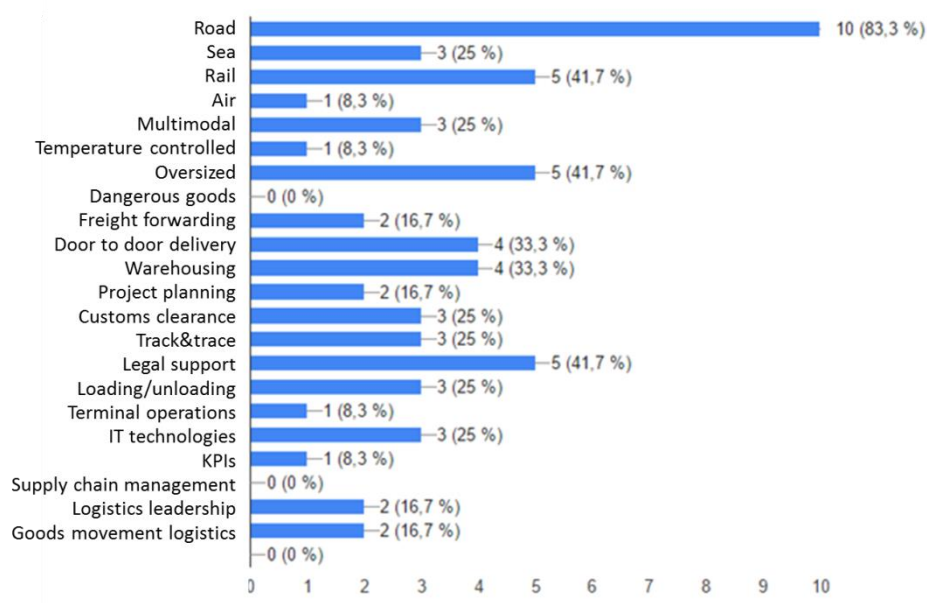


Figure 21 Demand for different logistics consultancy services.

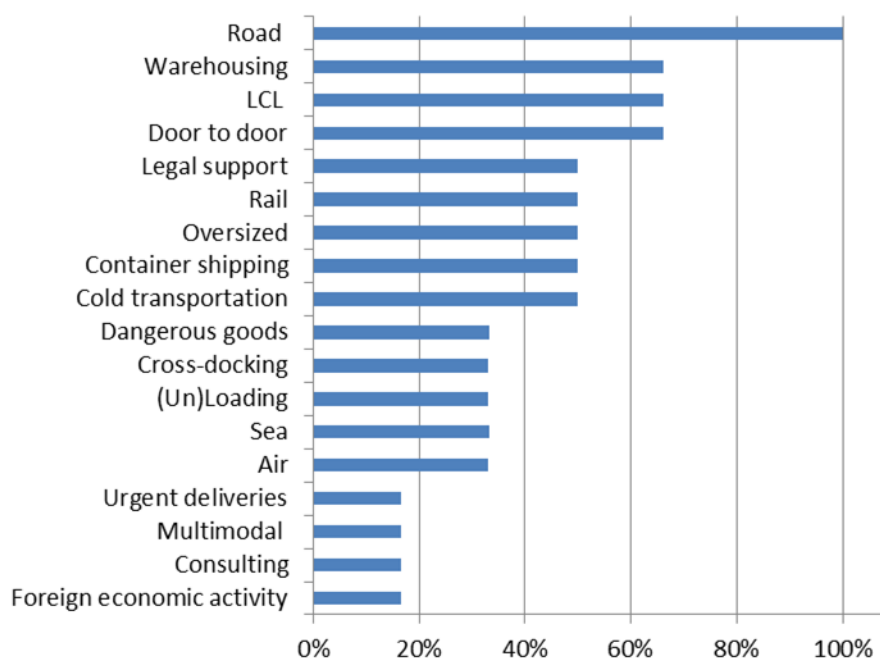


Figure 22 Percentage of services appearance in each company, Russia.

- This question was aimed to understand how to promote business which is planned. Sometimes it is hard to predict how companies and people would behave with a new product on the market.

Here it can be seen that majority of respondents decided that they are willing to experience by themselves what is logistics consulting services and only quarter would trust other companies' experience.

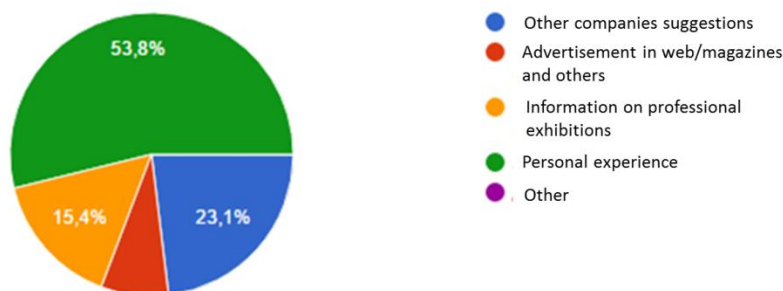


Figure 23 Trustful source of knowledge about logistics consulting services.

8. The last question maybe is the most important from the list for our thesis. Are companies going to use such services which they have chosen by themselves for the list in question 6? Formulation of this question was crucial because business idea is going to propose those things which customer has chosen. It was explained in advance, that they need not think about price, but only about the idea. Here meaning of numbers on axis x has changed: 1 – 0% probability, 2 – 25% probability, 3 – 50% probability, 4 – 75% probability, 5 – 100% probability.

Unfortunately, there is more than one company (which had no logistics) who do not need such services at all. It is strange to see because the concept is going to bring only benefits (within the framework of the question there is no price and only improvement of logistics processes), but people are not willing to give it a try. Almost half of companies are 50% or less sure to use it, and only 30% probably would give it a chance.

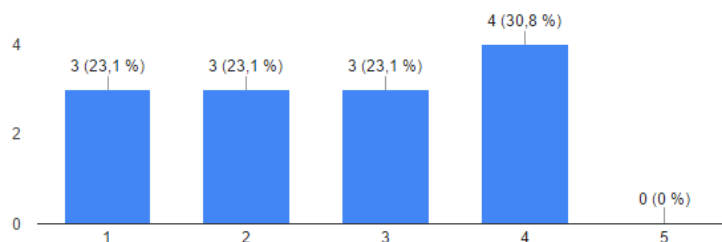


Figure 24 Readiness of companies to try logistics consulting services.

7.2.1 Analysis

Survey results have shown us plenty of interesting facts which can be used to answer the question if the business has demand for such services which are going to propose.

Obviously, it was a good idea to shift from offering outsourcing services to consulting because consulting is more used by business representatives which were asked. Reasons which were found in chapter 6.3 are proofed.

As well, it can be seen that logistics plays a significant role in the majority of surveyed Russian companies, but not all of them are using experts in this field. It is the highly important reason for consulting as exactly this kind of businesses needs such services more than others. Of course, if a company has own specialists, it would be difficult to suggest them something because they have more experience dealing with problems in their area every day and for us, it means that not the whole market is open for us.

As a result, there is no sure that business idea is definitely going to work. It has some interest from business representatives but who knows how it is going to be in real life. In order not to lose money it is better to be a bit pessimistic and then it is clear that this business idea is not interesting for the customer.

7.3 Formulating of business idea main points

As it was already analysed if a business idea is going to work, the only thing that left is to give a rough picture of it. Rough means that there will not be any information about profitability because it requires additional research.

7.3.1 Services to provide

One of the questions is providing us with information what to propose to our potential customers. It was seen on the example of other logistics consulting companies that this business should have a wide range of services to be able to satisfy all customer needs. It is logic because if you are inviting someone to deal with your problems you will not ask several companies to come simultaneously. As well, it was learned from chapter 3.5 that future of outsourcing is related to standardisation. Even though outsourcing may come more standardised, consult should be more flexible and find a personal approach for each customer.

Hence, it means that it needs to be proposed consulting services with specialisation for basic logistics needs. All kinds of transportation and warehousing must be, but the potential is also in customs clearance, legal support and IT technologies. This range is not very impressive, but on the other hand, it is what market is in need for. Other services should be provided by our company as well, but later – when it would have strong positions and name.

7.3.2 Customer

As it was seen from the sixth question of the survey some of the listed services have only 25% of demand, but in case of transfer this percentage from a number of companies in Middle-sized business (around 1000 of potential customers) to Small and Micro enterprises it would be 500000 of potential customers (SMB Expo, 2014). It is the best case scenario and this number is impressive if the approach to Middle-sized enterprises would work. It may bring huge profit in the future. The only question is how Middle-sized enterprises would behave with such

logistics consulting company if it is a crisis in the economy again. There is no answer for that yet because it depends on many parameters and the end result is seen only after years of it. Probably, all projects related to it would be cut and it means until the crisis is gone – there are no customers for this business.

7.3.3 Promotion

The best solution to promote this services is to give customers chance to make their opinion about the efficiency of provided services. In Russia, it means to give a try for free or customer will not be interested in paying for risk loses money instead of earning them. This solution is good once for each company, because if it will not work – nothing would change their opinion. On the other hand, it is not the most profitable way to work for charity as Russian mentality is open for something free and very careful with things you need to pay for. As it was learnt already, companies will not believe someone except own experience so this method is risky.

7.3.4 Competitors

The existence of logistics consulting services on the market, described in part 7.1, means that business would have competitors, but the market is big enough to share it. On the other hand, there are some bonuses and disadvantages from it such as growing awareness but ruined trust of our services because of competitors. It requires building an excellent reputation for the company and as well for logistics consulting services.

And the biggest reason to establish logistics consulting services is that majority of respondents decided to give it a try for such services. It is the biggest advantage which can be gained and the biggest question. Would it be enough to have not total support from customers to start the business? The customer is the main reason to start a business and the main threat.

8 Conclusion

Interest in this topic was motivated by some facts which were gained from author's personal work experience and some publications on the internet. To tell the truth, there was no confidence until the end that results of this work would show something similar to what was gained. Usually, business ideas are all already taken, and there is no place for growth, but this idea was found because it required some special knowledge and education to analyse it and notice potential.

The setting of objectives allowed to consistently go through thesis and make reasonable conclusions to go to next objective with important information to do the following step. Research methods were used fully and without them, it was not possible to make all necessary parts of research.

Thanks to theory research, thesis gained enough ground for future conclusions and proved advantages of logistics and outsourcing in general. Russia is a big market which is developing but still in the beginning of its growth and manages high volumes of capital. This and many other reasons is a good start to search for solutions of future development of this area.

There were found some companies which are providing outsourcing logistics services in Russia and Finland and comparison of them was showing the situation in logistics between two countries. It allowed to see some space for improvements with real points to improve in order to change logistics situation in Russia.

As a result and conclusion for whole information gained, it was found that logistics consulting services should be a better solution than any outsourcing on the current day and market is in need for that. Here important to notice that market has some specifics, instability and trust issues to consulting services which are playing against proposed business idea. Also, on the market already exists some competitors and believe that the market is big enough to share is not adding confidence in success because competitors are working not against each other but against the reputation of consulting in general.

Author's knowledge of Russian law adds to this work possibility to establish there a company and legally provide services. The market is open for new ideas and as respondents answered for survey – willing to take a try of new services which may improve the current situation. However, on the other hand, there cannot be seen any strong support for such services and until it exists, there is no confidence in project implementation. This fact was gained from the survey which could not gain a lot of answers but still, information is important as an example with a discount on that fact that it is not a rule for others.

Marketing is going to be important question of establishing the business as for its reputation and for logistics consulting in general. This business idea does not require too many investments because it does not need any warehouse or transport to provide services. The only asset it should have – knowledge and skill. It may be found from JAMK alumnus because such skills were given during Logistics Engineering studies. Even though, these investments are going to be very risky because of many “but” which were named above. Even if it will not be much capital – a lot of parameters are not predictable and the result can be as profitable and with the same probability leads to bankruptcy.

As the last word, important to say that this business idea is still interesting and now, when it was researched deeply, it is more real to start implementing it but today is not the right time or the right place to do it.

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