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Developing an effective logistics strategy for small company in furniture industry

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Description

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Abstract

The aim of this paper was to develop an effective logistics strategy for a small enterprise in the furniture industry. This study examined the current logistics practices within enterprises, identified problems and analyzed key components of an effective logistics strategy.

A literature review was conducted, and qualitative method were used to gather data.

Based on the findings of the study, a better understanding of the challenges small companies face and the importance of developing an effective logistics strategy in order to improve operational efficiency was gained. The final result of this thesis was a formulated written logistics strategy. Moreover, the analysis of the economic impact for the company from the implementation of the offered strategy was conducted.

The results of this thesis can be used by small companies in the furniture industry to develop effective logistics strategies that can enhance their operational efficiency and competitive advantage.

Keywords/tags (subjects)

Logistics strategy, Small enterprises, Logistics.

Miscellaneous (Confidential information)

None

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1 Introduction

The furniture industry is experiencing a rapid growth and increasing competition, and the growth in furniture production and consumption in Europe as a whole has reached record levels. Moreover, the furniture market is expected to grow annually by 5.7% (CAGR) from 2022 to 2030 (Furniture Market Size, Share & Trends Analysis Report, 2022). All this indicates that in the short-term furniture will remain one of the fastest growing segments of the consumer market.

On the other hand, the furniture market has changed considerably over the past few years. Due to the global economic downturn, many companies, including those in the furniture industry, have been forced to significantly reduce their presence in the market. There have been a number of factors contributing to this, including the emergence of new players in the industry, the emergence of new opportunities for development, and the changing nature of market conditions (Bullard, 2002). Consequently, many players left the market, while others were forced to rethink their strategies and business approaches.

As realities change rapidly, producers and sellers are forced to adjust their development strategies almost immediately. The market is therefore experiencing new directions, which in a number of indicators are significantly exceeding the previous trends. It is becoming more common for new products to enter the market that have never existed before.

1.1 Background

Scandicum OY is a wholesale supplier of furniture and interior decorations from Scandinavian countries to Eastern Europe and Asia. To maintain a competitive position in the market, a company should constantly review consumer preferences and their expectations of high-quality products. In this regard, Scandicum started conducting surveys among its customers last September by using customer feedback forms and social media listening. The figure below provides a general overview of the feedback form:

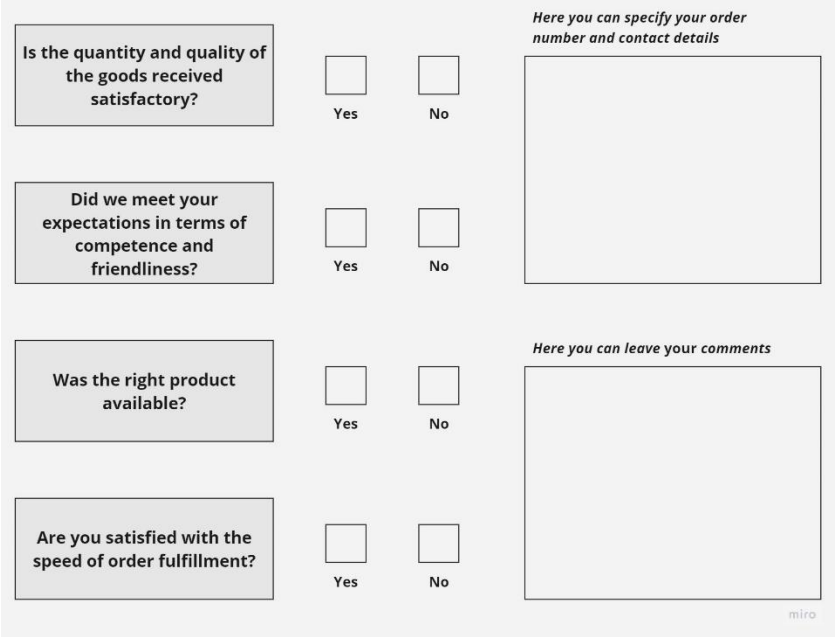

Figure 1. Scandicum's feedback form.

According to the results of the first wave of research, more than half of the respondents were satisfied with the quality of the furniture produced by Scandicum. However, according to customers, the company still has reserves, which can lead to an increase in sales.

Taking into account consumers' preferences, the company decided to open a new business line - retail shop of interior accessories produced at Scandinavian factories. Small store located in the center of Helsinki display medium and high-priced products under the outlet format. In addition, the company plans to establish an online store where these products can be ordered.

1.2 Objective, tasks, and construction of research questions

The purpose of this work is to develop an effective logistics strategy for small enterprise of the furniture industry. In order to achieve this objective, the following steps should be taken:

- Analyze the current logistics practices used by small businesses and identify the gaps in their logistics operations;
- Develop a logistics strategy that is efficient and effective for the small company Scandium to improve its logistical efficiency.

Moreover, there are multitude aspects which should be considered to develop an efficient strategy for the successful functioning of the business. Since small enterprises frequently have little financial capacity and limited resources, their strategy should be most effective in order to achieve better results, increase customer satisfaction as well as company value.

Based on this, the main research questions were built as following:

What are the current logistics strategies in the small companies?

Objective: The knowledge gained from this understanding can be used to identify areas for improvement, provide insights on industry best practices, and provide guidance on decision-making processes for small companies seeking to optimize their logistics functions.

What are the challenges faced by small companies regarding logistics operations?

Objective: Small companies face distinct types of obstacles, and possible solutions will be developed based on the research.

What are the key components of an effective logistics strategy for small enterprises?

Objective: The most beneficial methods applicable for the case study company will be explored. Finally, the unique logistics strategy for the company will be developed and the recommendations for further usage will be provided.

1.3 Research methods

The research aims to find new knowledge and insights by systematically investigating and analyzing a topic through a structured approach. To guide the research work, a research-based development approach has been selected.

The goal of research-based development is to provide practical solutions to problems and to accomplish development tasks using research methods. Therefore, an effective logistics strategy for a small business can be developed by using the research-based development method.

Furthermore, the study include:

Literature review: It was necessary to review a comprehensive literature review to examine current logistics practices and identify gaps in the logistics operations. The review includes scientific journals, books and relevant industry reports.

Case study: There have been several case studies conducted to collect primary data on the logistical problems faced by small firms. The case studies included interviews with key employees of small businesses.

Consequently, through the application of literature review and case study, this method is able to provide insights into most effective logistics strategies of small businesses.

1.4 Importance of the study

Almost all small businesses utilize logistics in their business practices because it allows them to effectively allocate and utilize resources. Small businesses, in contrast to large corporations, are able to rapidly adapt to changing market conditions, move their resources to the most efficient regions and industries, and develop new products or technologies in a timely manner (Annacchino, 2003).

Across a wide array of organizations, the improvement of logistics operations is a common topic of discussion. It is because organizations must focus on both logistics management as well as improving logistics operations in the context of rapidly changing external and internal factors (Cherchata, 2022). Future, in this paper those factors will be considered more closely. Therefore, there is a need for a logistics development strategy, namely identifying the main directions for its improvement.

An important aspect of forming logistics strategies for small businesses is determining the efficiency of logistics activities. To resolve this problem, identifying the strengths and weaknesses of the enterprise's logistics system, as well as its efficiency as it applies to utilizing resources for production, is essential. It enables an enterprise to efficiently utilize all its resources and to distribute goods, services, finances, and labor resources between the various parts of the enterprise in a rational and efficient manner.

In addition, logistics efficiency has been the subject of extensive research with regards to its essence and content. It should, however, be noted that the methodology for evaluating the efficiency of logistics systems is not well developed. In this regard, the need to study modern methods of evaluating the efficiency and optimizing logistics processes takes place.

2 Teoretical foundations

Based on a literature review, this study examines logistics strategies, their classifications, and how they are implemented within an organization. Moreover, there will be considered a variety of factors tied to the development of profitable strategy. The literature review consists mainly of logistics operations and management, logistics activities and business literature, and it serves as a theoretical foundation for case study.

2.1 The concept, essence, and classification of logistics strategies

Based on Alfred Chandler's (1969) definition of strategy, strategy refers to setting the long-term objectives of an organization, and then adopting a course of action and allocating resources towards their realization. Jeremy B. Quinn (1990), however, defines strategy as the integration of a firm's main goals, policies, and activities. It is critical to recognize that the process of strategic management, as well as the definition of strategy, are not based on a single perspective.

By extending the concept of strategy, a logistics strategy can be derived. Thus, according to Harrison (2019), there are guiding principles, driving forces, and ingrained attitudes associated with a logistics strategy. These contribute to the coordination of goals, plans, and policies, and they are supported by conscious and unconscious behaviors fostered within and among the supply chain partners.

Strategy provides an organization with the ability to determine how to develop and utilize key resources to achieve its desired goals in a dynamic and challenging competitive environment (Fawcett, 1997). In addition, according to other researchers, a logistics strategy (especially one incorporating several innovative provisions) is an ideal tool for optimizing the resources and business processes of a companies. Besides, competitive advantage can be gained by companies with an effective logistics strategy. (Brewer, 2008).

A logistics strategy is an expression of the strategic management of an enterprise's logistics activities (SteadieSeifi, 2011). Farahani in his book “Logistics Operations and Management” (2011) says that a strategic decision is made with the objective of optimizing the following three main objectives:

- Reduction of capital expenses (investment levels, which are dependent on owned equipment and investors)
- Reduction of costs (costs associated with transportation and storage)
- Improvement in the quality of service (customer satisfaction and order turnaround time)

Taken together, these points suggest that logistics strategy establishes a link between the objectives, capabilities, and resources of a company on the one hand, and the market realities on the other. Therefore, the provisions of the logistics strategy are subordinated to the overall strategy of the company, which defines the main directions and priorities of the logistics activities.

To be able to make a contribution on how to build a logistics system, one first has to identity the components and factors in the system. One implication of Bondar’ (2019) work could be that the process of developing a logistics strategy includes:

1) An overview of the general objectives of the enterprise's material flow management system;
2) An analysis of the main directions in which the system is likely to develop;
3) Design of options for optimizing material flow for selected resources and products;
4) Allocating materials among products and activities in the most efficient manner.

As a result, depending on the degree of detail of the solution of the listed tasks, the process of forming the logistics system may take the following form:

- Identification and analysis of market and production requirements;
- Identifying objectives and selecting rational methods for achieving them;
- Assessment of the effectiveness of the objectives;

- Determining the composition, structure, parameters, and interrelationships of each logistics subsystem.

Once the demands, needs, and possibilities have been determined, they can be systematized and estimated. It follows that the logistics system is comprised of a number of management activities, including planning, supply, marketing, organizing material flow, accounting, and control.

Sergeev (2015) has considered that the logistics strategy defines the development of logistics for a certain period of time, which allows to manage logistics processes within the implementation of the strategy. It identifies the role of logistics within the overall enterprise management system, as well as its goals, tasks, and principles of operation.

Thus, Figure 2 illustrates the direction in which the logistics strategy of an enterprise is aligned with the corporate strategy, mission, and goals from which the logistics objectives are derived (Rakyta, 2022):

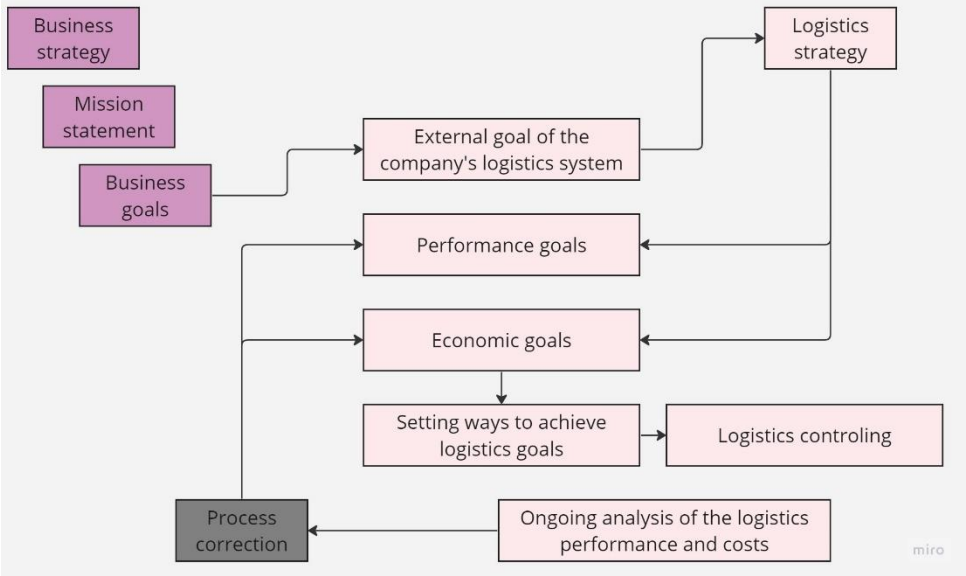

Figure 2. Corporate strategy, mission, and objectives in relation to logistics strategy.

Therefore, the logistics strategy can be presented as a plan, including (1) an analysis of the current situation and the objectives of the organization, (2) the organization of production and distribution activities, and (3) the organizational structures that will be used to implement it.

Nevertheless, a strategy is not simply the sum of certain elements and procedures, but as well a system of values, principles, and beliefs. As part of the logistics strategy of the enterprise, the general trends in the development of the industry, market conditions, as well as the production and marketing characteristics should be considered (Farahani, 2011).

Through the allocation and classification of logistic functions, small enterprises are able to decompose the management of their own logistics operations. By decomposing logistics functions, it is possible to identify the most critical functions, which require special attention from management (Basu, 2003). Using this approach, the current level of logistics management, as well as the areas that require improvement can be determined.

As a result of this process, logistics services are formed, which are necessary links in the logistics chain of the enterprise and its subdivisions. In this case, Unsihuay-Vila (2010) has considered the main functional areas of logistics are:

1. Storage, warehousing, and material handling
2. Packaging and unitization
3. Inventory
4. Transport
5. Information and control

Essentially, logistics strategy involves all the decisions, techniques, plans, and cultural aspects of supply chain management that will guide the implementation of an organization's overall strategy. However, a methodology for formulating a strategy and an explanation of each step in the process is not provided in the literature. Almost every organization develops its business based on a corporate strategy that enables it to achieve long-term objectives.

Throughout this paper, various types of company strategies, beginning with corporate strategies, followed by logistics strategies, and eventually more common strategies will be examined.

Regarding the corporate-level strategies, Shrivastava (1985) has considered 4 main strategies:

1. **Stability Strategy**

Organizations adopt it when they seek to improve their functional efficiency. Further classified as follows: (i) No change strategy, (ii) Profit strategy, and (iii) Pause/Proceed with caution strategy.

2. **Growth/Expansion Strategy**

Growth strategy purpose is to increase the size of the organization and to develop and implement a strategy which will enable the company to become a large and successful player in the market. Organization operates through (i) Concentration, (ii) Integration, (iii) Diversification, (iv) Cooperation, and (v) Internationalization.

3. **Retrenchment Strategy**

Retrenchment is used when a company seeks to reduce excessive expenses by reducing some of its products or activities. The process involves turnaround, divestment, and liquidation in the following three modes: (i) Compulsory winding up, (ii) Voluntary winding up, and (iii) Winding up under court supervision.

4. **Combination/Mixed Strategy**

Combined strategies include a strategy designed to combine different marketing tools. In addition, the strategy of a marketing combination can be cited as an example, in which the firm strives to achieve maximum results by combining advertising, marketing, and personal selling.

Additionally, companies utilize the "differentiated approach" to select one or more strategies and to develop appropriate schemes of resource management, material flow and information flow, as well as to select and implement logistics operations based on them.

The classification of logistical strategies has been attempted in several ways. Among the large number of logistics strategies applied by enterprises, it is possible to distinguish basic and additional strategies. According to “Common Logistics Strategies” report (Sergeev, 2015), for example,

the core strategies include the following: lean strategy; dynamic strategy and strategy based on strategic alliances.

1. **Lean Strategy**

The lean strategy seeks to identify and eliminate unproductive use of inventory, equipment and time. A typical approach to this strategy is to analyze the logistics operations performed and avoid operations that do not add value to customers; remove unnecessary links from the supply chain; and select suppliers that are closer to customers to reduce transport costs. A sustainable external environment is needed to implement the lean strategy.

2. **Dynamic Strategy**

A dynamic strategy, on the other hand, is used in an uncertain external environment. The goal of this strategy is to offer high quality customer service by reacting quickly to the emergence of new or changing previous customer requirements. Organizations using a dynamic strategy focus on customers and allow for additional costs to meet unplanned customer needs.

3. **Strategic Alliances**

Strategic alliances with suppliers and customers. The objective of this strategy is to increase supply chain efficiency. The reasons for using this strategy are to strive for better customer service and to reduce costs. Partnerships can be formed between production, trade and transport organizations.

Based on literature review by such authors as McKinnon (2008), Wilding (1996), Cooper (1993), Gruchmann (2019), Bowersox (1996), and Durach (2010) other common strategies that focus on more specific aspects of their operations include the following:

- A differentiation strategy
- A time-based strategy
- Strategy based on environmental protection
- Increased productivity strategy
- Value-added strategy

- Diversification or specialization strategy
- A focus strategy
- Growth strategy

Next, the strategies that are most common in the manufacturing, furniture and production industry were chosen. Based on several criteria, a comparative analysis of the characteristics of these strategies is conducted in the Table 1:

Table 1. A comparative analysis of logistics strategies.

Criterion	**Time-based strategies**	**Increased productivity strategies**	**Strategies based on environmental protection**	**Lean strategy**	**Dynamic strategy**	**Strategic Alliances**
Aim	Reduce unnecessary lead times in the supply chain to ensure fast delivery of products	Increasing the efficiency of the integrated supply chain	Optimizing the company's logistics operations in order to reduce its environmental impact	Efficient operations from the point of view of minimization of resources, waste of production, time of fulfillment of orders and reserves	Ensure high quality customer service, respond quickly to new or changed conditions	Improve integrated supply chain efficiency
Method	Eliminate unnecessary time in the supply chain, i.e. those during which value is not added to the product. Standardization and automation of logistics operations to improve efficiency and productivity	Search for alternatives to the most effective use of idle production facilities, areas, vehicles (leasing, provision of services to other organizations, etc.)	Production of goods using natural ingredients, use of reversible packaging, production of goods that do not require special recycling, reuse of materials, reduction of noise and harmful emissions, fuel economy	Disposal of all unproductive areas, search for opportunities to eliminate waste of all types of resources	Maximum flexibility, user-friendly access, partnership approach to customers, long-term maintenance of contacts with current and potential customers, partners	Wide use of advanced electronic data interchange techniques in logistics information systems

Limitations	Simplicity of operations	Limited opportunities of scientific and technological progress	Elimination of environmentally harmful operations	Elimination of inefficient operations, basic quality of service. Strategy may not work under too dynamic or uncertain conditions	High level of expenditure	Conflicts in the supply chain are possible
Dynamic of changes	Low	Relatively high	Low	Long-term stability	Dynamic response to changing circumstances and customer demands	Logistics decisions can be made quickly
Parametrs	Execute operations simultaneously instead of sequentially	Efficiencies of logistics chain sections, individual operations, and mechanisms	Reducing the amount of harmful substances emitted, the amount and growth of waste decomposition, etc.	Productivity, comprehensiveness of use, cost value of all resources	Lead time, service level, customer satisfaction	Productivity, comprehensiveness of use
Nature of the activities	Timely elimination of bottlenecks and uninterrupted material flow	Fluctuating activities in line with improved logistics technologies	Focus on minimizing environmental impact while maintaining a given level of efficiency	Unified, standardised	An exclusive, customer-oriented	Stable enough to allow long-term planning and at the same time flexible
Management	Integration - improved management of material and related flows	Based on calculation of efficiency of logistics functions and operations	Involvement of environmental specialists in the management apparatus	It is carried out within formalized planning cycles. Production occurs only on the basis of the request of consumers («pulling»). Based on the principle of cost management	Less structured and performed by staff with the necessary authority. Control is more localized	Management optimization is useed
Advantages	Reduced time to fulfill customer orders,	Possibility of rapid expan-	Creating a positive image of	Save resources	Opportunities for long-term	Opportunities to reduce costs,

	increased turnover	sion of activity, diversification of production at reserve capacity	the organization	(people, effort, places, time) up to 50%	cooperation, repeat deals and positive recommendations	avoid investments in buildings, benefit from long-term cooperation

However, this classification is highly generalized. The tables show that each type of logistics strategy considered has some advantages on the one hand and limitations on the other. Their selection by a particular company should relate to the overall corporate strategy of the organization, private business strategies for each type of its business and the logistics function implemented in the organization.

In essence, a logistics strategy is an action plan to achieve the strategic objectives set. Thus, the logistics strategy in an enterprise is formed in parallel with the corporate strategy. Errors in the choice of logistics strategy lead to a disruption in the flow of material through the company.

According to the analysis and Scandicum's individual characteristics, increased productivity strategy and strategic alliances were selected as the company strives to reduce costs and improve customer service.

By streamlining processes, eliminating waste, and optimizing resource use, an increased productivity strategy can improve the efficiency and effectiveness of the company's operations. Consequently, the company is able to produce more goods and services with the same resources or to produce the same amount with fewer resources, which results in cost savings.

At the same time, by forming strategic alliances, companies collaborate with each other to achieve shared objectives, such as improving products or services, expanding the market, or reducing costs through joint procurement. As a result of forming strategic alliances with other companies in the industry, Scandicum is able to benefit from economies of scale, gain access

to new markets and customers, and develop new skills and knowledge. In turn, this can increase profitability and competitiveness in the marketplace.

2.2 Impact of logistics strategies on small businesses

In spite of the fact that logistics is widely recognized as a relatively new sector of the economy, it is experiencing rapid growth due to the necessity of close and effective links between producers and consumers. As a result, logistics becomes the primary tool for maximizing resource efficiency, providing the necessary products at the right time, reducing costs, and improving the overall efficiency of individuals and businesses.

Modern day logistic management has become not only an indispensable part of business, but also a critical factor for the success of a company in the marketplace. Furthermore, logistics plays a crucial role in achieving the enterprise's strategic goals, including optimizing materials flows, minimizing costs, reducing product delivery time, and minimizing risks (Buyukozkan, 2008).

Various logistics activities are performed at different levels of management, from the acquisition and supply of raw materials to transportation, warehousing, and the sale of finished products. Moreover, Savina, Dusheiko and Rozova in thei work (2021) note it is important to note that logistics is a system for managing the flow of materials and information within an enterprise as well as within the external environment.

The field of economics and management describes logistics as a scientific discipline devoted to solving issues related to the optimal movement of all types of flows (informational, material, and financial) and resources (Gourdin, 2001).

According to Mentzer (2004) the aim of every logistics strategy is to change the size of certain indicators. In essence, a logistics system is a set of mechanisms that can change the size of a product at all stages of its movement. Such system is characterized by the following indicators:

- Amount (the number of resources that need to be realized to achieve the goal);
- The level of costs (the value of the logistics system);

- Efficiency (result-cost relationships).

In this way, the economic stability of the company is increased by implementing a logistics strategy. One of the most important elements of the overall strategy of the company is its logistics strategy aimed at increasing the efficiency of the material flow management system. Using this approach, suppliers are selected, and resources are allocated based on the optimal route of delivery.

The scientific community is of the opinion that logistics can be used very effectively in order to reduce and optimize an enterprise's variable costs (Panayides, 2004). The majority of companies, however, are unaware that they cannot succeed without the right logistics strategy and a clear management of logistics activities. Therefore, knowledge of how to develop such system and manage it is fundamental. The Russian researcher Gadzhinsky, for example, considers logistics to be a scientific field related directly to improving material flow efficiency (Gadzhinsky, 1999).

In addition, logistics can be regarded as one of the essential strategic factors for achieving enterprise objectives and gaining a competitive advantage (Olavarrieta & Ellinger, 1997). Chobanova (2015), for example, believes that the upstream segment of a value chain plays a significant role in determining competitiveness in the furniture industry, as do raw materials and components, skilled labor availability, investment in technology, research and development, innovation and design, and policies that affect the furniture industry.

Considering the impact of logistics on the organization's activities through the sphere of material flow transportation is also an important consideration. In this case, logistic refers to the management of the material flow throughout the entire supply chain, from the primary raw material source to the end customer. In this way, Johnson (1999) argues that logistics refers to the planning, implementation, and control of materials, goods, services, information, energy, humans, and other resources moving into, through, and out of a firm (both in the public and private sectors) to meet customer demands. It involves planning, implementing, and controlling the flow, storage, and transportation of these resources.

Thus, by implementing logistics management principles, variable costs can be reduced by lowering the production cost of logistics. Reduced variable costs can be achieved through the alteration of the range structure, the optimization of product range, and the reduction of purchase volumes (Lambert, 1993). Considering all these factors have the potential to reduce variable costs, the choice of which is the most effective depends on the characteristics of the enterprise, its potential, and the market conditions.

As the result, this makes it possible to reduce the total cost of production and thus increase its competitiveness in the market. However, optimal cost management requires taking into account not only changes in volume and structure of production costs, but also changes in their ratios (Hansen, 2021).

As a result of the introduction of logistics the production process becomes more accurate and its quality improves, which increases the competitiveness of the company. At the same time, production and sales of goods are increased, production costs are reduced and the efficiency of the enterprise is increased. Therefore, logistics is currently an essential component of enterprise activities.

Moreover, the choice of a specific logistics strategy affects the quality of customer service. It is possible to increase customer satisfaction by reducing inventory levels and service times, for example. In this case, in terms of time and quality, just-in-time (JIT) and quick response (QR) concepts are the most prevalent. JIT assumes that goods will be delivered at certain intervals to predefined locations, where they will be stored until required. The stock of goods in the warehouse should be exactly the same as consumption (Stock, 2001).

Thus, by optimizing logistics costs and reducing delivery time, goods can be transported more efficiently. Additionally, in order to create a supply chain that meets the needs of the customer, logistics is essential. A company may thus implement whichever strategy it determines to be most effective.

To summarize, it is important for a modern enterprise to build an efficient logistics system that meets the requirements of the market and provides the organization with significant competitive

advantages. In order to build this system, it is necessary, first of all, to understand the logistical processes that take place in it. There is a need to analyze and assess the main logistical factors that affect company's effectiveness. It is critical to consider that logistics systems are a set of interconnected structures, processes, and tools that provide effective solutions to logistical problems. It can be defined as the set of interconnected elements that define its integrity, unity of purpose, and functions.

2.3 Factors affecting the development of profitable logistics strategies

Companies face increasing challenges in creating value and delivering it to their customers in today's highly competitive global market. Businesses are being forced to compete with their products on a global scale across dimensions of cost, quality, and service. Therefore, an efficient logistics system is becoming more and more essential. As a result of efficient logistics management, production and distribution processes are optimized, which greatly contributes to the goal of reducing costs and improving customer service. (Rushton, 2014)

There is a similar idea in the work of Dobák, who asserts that "efficiency is the capability of a company to realize its stated objectives, and to use its available resources cost-effectively." (Dobák, 2006, as cited in Markovits-Somogyi, 2010, pp.369). In other words, logistics system efficiency is defined as achieving the most results at the lowest possible cost.

In a competitive environment, where any enterprise wants to increase efficiency, and enter new markets, the logistics activity, as well as its efficacy, plays an important role in the work of the enterprise. According to Grigoriev & Dolgov (2014) efficiency of the logistics system of an enterprise is defined as the ratio of costs and results obtained in the process of delivery of goods to the consumer. Consequently, delivery costs (costs associated with transportation, loading and unloading operations, and storage of products) and the quantity of products not delivered are generally taken into consideration.

Moreover, it is crucial for a successful physical distribution of products as well as the smooth running of a business to evaluate the effectiveness of its logistics system. These issues were repeatedly considered by Mentezer et al. (2001), Sadraoui & Mchirgui (2014), Christopher (1999), Gadzhinsky (2012), etc. It should be noted that most researchers consider the efficiency of logistics

activities in combination with production efficiency. Meanwhile, the effectiveness of logistics operations is the most essential indicator of the effectiveness of the entire logistics system from a logistics perspective. It should be noted, however, that the process for determining efficiency in manufacturing companies differs significantly from the process for determining efficiency in service companies.

Thus, it can be concluded that logistics activities are a set of economic, technical and organizational relations on creation, distribution and consumption of material goods, ensuring the optimal use of resources in the production process, distribution and consumption. SteadiSeifi (2011) notes that logistics activity within the enterprise is influenced by both external and internal factors.

To achieve organizational success and stability, modern management theories emphasize the importance of studying both the external and internal environment. Njoroge (2016) consider that a company's external environment consists of factors that are external to it and affect the efficiency of the organization. SteadiSeifi (2011) point out that the external environment consists of an analysis of the economic and political climates, and regulations, technological advancements, as well as the evaluation of primary competitors, especially in the service and logistics sector. According to Melecke (2013), when analyzing a company's competitiveness, external factors can help identify key issues and contribute to the development of enterprise’s competitive advantages.

In the same way, an organization's internal environment consists of all those factors that are internal to the organization. Tang (1998, p. 301) believes that the internal environment "is typically characterized by its organizational structure, resources, climate, and culture". According to Pearce & Robinson (2000), the experiences of both large and small companies indicate that an understanding of the environment and the internal assessment of the company are essential to the development of a successful organization.

Thus, the internal and external environments influence each other. The external environment has a direct impact on the organization, and the internal environment is mediated. In order for a company to be successful, it must adjust to its external environment and improve its internal struc-

ture, which determines how threats and opportunities arise for the company, as well as how it responds to its external environment. It is therefore important that a company adapts to its external environment as well as improves its internal structure.

2.3.1 Models and methods of measuring the effectiveness of logistics activities

Currently, scientists in the field of logistics believe that there is no universal model that takes into account all variables, all nuances, and all circumstances when evaluating a logistics system. Profit, however, is one parameter that can tie the entire logistics system together. This parameter can be used to formulate possible improvements to logistics systems in different areas.

Moreover, Table 2 shows the main directions for improving logistics efficiency in various logistics areas such as inventory management, transportation, warehousing, packaging, purchasing and distribution.

Table 2. Main directions of increase of efficiency of logistics activity.

Logistics field	Efficiency Direction
Inventory management	Inventory costs should be optimized for the enterprise's entire production system (Wood, 2002).
Transportation	Vehicles and transportation methods should be selected based on time, cost, reliability, and availability criteria (Gursoy, 2010).
Warehousing	Utilization of advanced information technologies and warehouse equipment (Huber, 1990).
Packaging	Optimizing packaging characteristics to facilitate ordering and reduce loading time (Parvini, 2011).
Purchasing	Enhancing procurement personnel's competence and professionalism, choosing an optimal order planning system (Dybskaya, 2021).
Distribution	Incorporating all functions of managing the distribution of finished products and services, starting from the definition of goals and ending with the control of all processes of goods distribution (Karaxha & Kristo, 2016).

Efficiencies can be improved through methods such as shorter lead times, enhanced productivity, more effective resource utilization, and decreased operational costs. The Table 2 illustrates main ways in which logistic systems can be improved to some extent, which are reflected in the various

foreign and Russian concepts of the enterprise's work. Through a systematic review of the scientific literature, methods for enhancing the efficiency of logistics operations in an organization were systematically analyzed and standardized.

Furthermore, it is important to recognize that efficiency is a significant economic category and a major indicator of any business's performance (Bacs, 2018), and it is being used by companies to evaluate the efficiency of their operations as well as their logistics processes. In order for a business venture to succeed, logistics processes must be as effective and efficient as possible. This is why it is necessary to measure and analyze the efficiency and effectiveness of logistics activities. Thus, the literature review indicates that the most common models for measuring logistics performance are as follows:

Table 3. Systematization of methods for improving logistics efficiency.

Method	Description	Application areas	Author/year
Automation in logistics	Use of information systems like GoFreight, SAP, Oracle, Netsctok, Salesforce Maps, Webgility, etc. The use of these programmes makes it possible to collect, store, process, display and disseminate information in order to reduce the labour intensity of the use of information resources and to improve the reliability and timeliness of their management in a number of logistical processes.	Inventory management, warehousing, cargo processing, procurement, distribution.	(Andiyappillai, 2021), (Allen, 2014)
Cargo consolidation	Inclusion of two or more smaller instalments from one or more suppliers in a common large instalment. Removing unnecessary transit traffic	Transportation, Distribution	(Jacyna, 2013)
Cost minimization method	The main objective is the minimization of total cost in transportation. Reducing lead times for excess inventory through supply consistency	Transportation, procurement, inventory management	(Yucekaya, 2013)
ABC-analysis	ABC analysis is also known as 'Selective Inventory Control'. In this technique, inventory is classified into three categories based on an item's value and usage rate.	Inventory management, transportation, warehousing, packaging, purchasing, distribution.	(Gulati, 2021)
XYZ-analysis	The XYZ classification is a modification of ABC analysis. This analysis is a way to classify inventory items ac-	Inventory management, transportation, warehousing,	(Bulinski, 2013)

	cording to the variability of their demand or derived/forecasted consumption.	packaging, purchasing, distribution.	
Pareto method	Pareto analysis supposes that 80% of a project's benefits can be achieved with 20% of the effort—or, conversely, 80% of problems can be traced to 20% of the causes. The Pareto analysis assigns a numerical score to each problem or benefit based on its impact on the organization; the higher the score, the greater the impact. Generally, it is used in conjunction with the ABC and XYZ analysis methods	Inventory management, transport, warehousing, packaging, procurement, distribution	(Cervone, 2009)
Cross-docking	Deliveries directly from suppliers or manufacturers, by passing the logistics of warehouses	Transportation, procurement, distribution	(Apte & Viswanathan, 2010)
Material requirements planning (MRP)	An MRP system involves systematic planning and controlling of production and inventory. Materials, raw materials, components, and parts required to produce each product from the main schedule are calculated, and purchase orders are submitted accordingly. Accordingly, the time required to submit an order is determined by the duration of the deliveries and their arrival date.	Inventory management, procurement, distribution	(Krajewski & Ritzman, 2005), (Vonderembse & White, 1996)
Forecasting	To set required logistics or supply chain indicators of logistics system of a company and subsequent processes of logistics planning and management should be based on accurate demand forecasts. Demand pattern drives all logistics activities in a supply chain and it is therefore crucial for effective process management of company’s logistics system.	Inventory management, procurement	(Hart, 2013)

According to the analysis presented in Table 3, the universal methods that can be applied to virtually all areas of logistics, such as inventory management, transportation, warehousing, packaging, purchasing, distribution, and cargo handling, are ABC and XYZ analysis methods, and automation methods. Using all the above methods in combination is the best way to improve the efficiency of

logistics activities. As a result, there will be a synergistic effect that will result in higher productivity and efficiency of the logistics process.

Due to the fact that logistics is a process within an organization, finding ways to increase the efficiency of logistics activities requires consideration of every component within the process. According to Kornylo and Kurgan (2020), a logistics operation is a sequence of interrelated and interdependent actions that are carried out using the appropriate logistics tools and designed to optimize the enterprise's logistic process. Thus, the process model of the mechanism for increasing the efficiency of the logistic activity of the enterprise is presented in Figure 3 (Krivyakin, 2018):

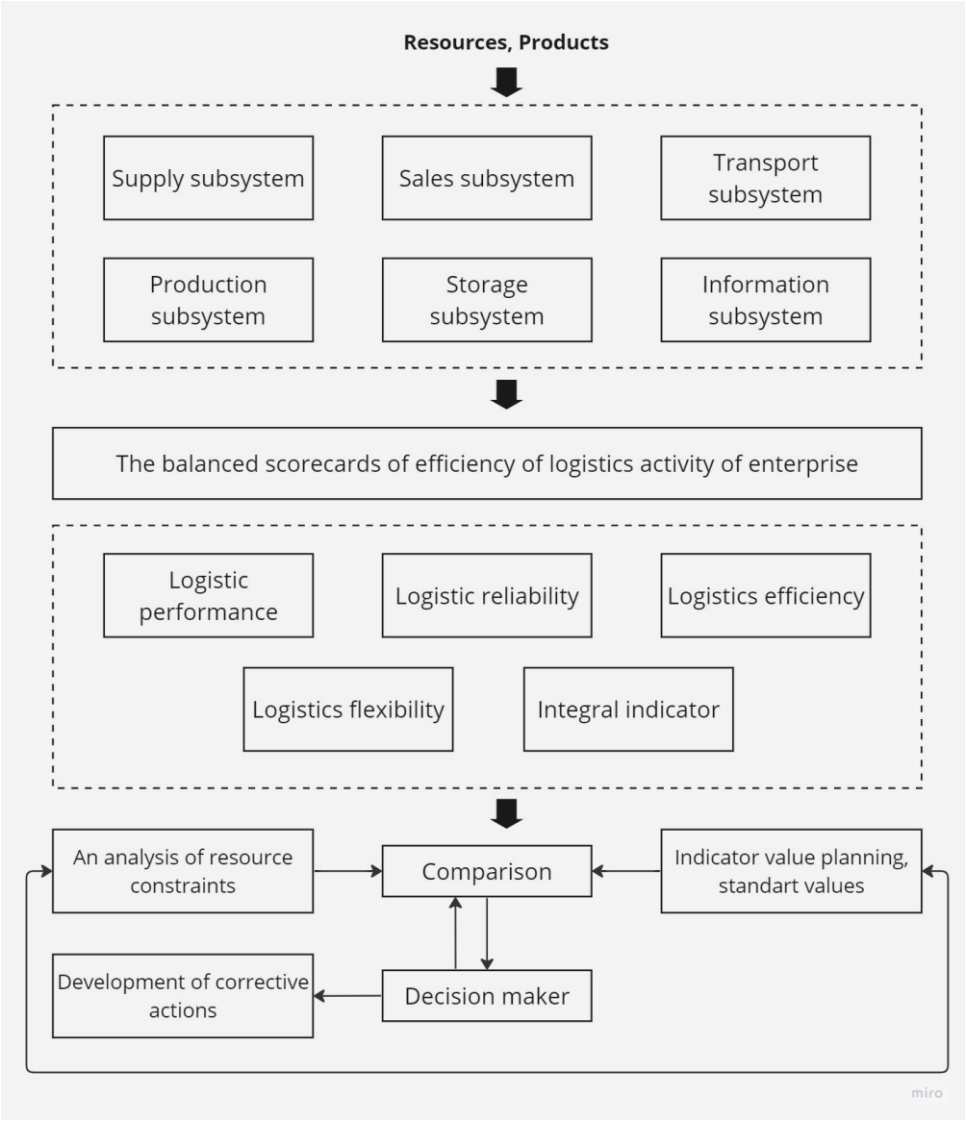

Figure 3. Model of the mechanism for increasing the efficiency of an organization's logistics activities.

In order to improve the efficiency of logistics activities, it is essential that there be a control process present as well as the inextricable connection between the mechanism and the process itself. At the same time, the mechanism is used as a managed resource for improving the efficiency of an company's logistics activities, namely:

1) A mechanism for improving efficiency in logistics activities is implemented in accordance with the process, that is, the existing reality is transformed into expected forms or parameters;

2) In the enterprise, this mechanism is under the control of various management subjects and is awaiting process control from them;

3) In order to achieve the expected effect, the presented mechanism must be integrated with effective management.

Thus, the use of the considered mechanism of increase of efficiency of logistics activity will allow to manage each subsystem of logistics taking into account its main characteristics under conditions of changing market, that will ensure the achievement of the logistics goal - profit maximization. In addition, the available reserves will be determined according to the results of the control of each logistics subsystem. Thus, it is possible to determine the degree of use of the reserves by comparing the available reserves for each component of the structure with the available volumes and costs of resources. This allows to identify the reserves that can improve the efficiency of the system by increasing its capacity.

3 Practical development of an effective logistics strategy for Scandicum OY

3.1 Brief overview of Scandicum OY

As mentioned earlier, Scandicum OY is a wholesale supplier of furniture and furnishings from Scandinavian countries to Eastern Europe and Asia. Having direct relationships with manufacturers and suppliers of furniture and interiors, the company is able to offer its customers the most competitive prices for furniture in the European market. (Scandicum, 2023)

The main activities of the company:

- Furniture and furnishings from Finland, Sweden, Denmark and Norway.
- Exclusive design solutions.
- Possibility of making furniture by individual sizes and sketches.
- Development of interior design.
- Design and drafting of design projects.
- Own manufacture of furniture in Finland.

In addition to office furniture, the company offers a variety of medical furniture, accessories and lighting from Scandinavian brands such as Valaisin Grönlund, Woodi, EFG European Furniture Group, Lammhults, Gotessons, etc. Moreover, Scandicum OY provides services including concept creation, interior design, furniture cleaning, installation, and delivery.

There are ready-made solutions available from Scandicum for all types of premises: from apartments and country homes to modern shopping centers and offices. Additionally, the company offers a variety of accessories, textiles, carpets, lighting and other interior products created by leading furniture designers from Scandinavia.

The company offers a wide range of interior items for residential and commercial use. Furthermore, Scandicum works with leading furniture suppliers from Spain, Italy, France, Germany, Austria, Sweden and Denmark.

To maintain a competitive position in the company market, it is essential to make the most efficient use of resources available. With this in mind, Scandicum introduces modern information technologies that will improve enterprise management as well as customer service quality significantly.

A key competitive advantage of the company is that its focus on efficiency, technology, and continuous improvement which allows it to meet quality standards without exceeding budgets or compromising quality. Furthermore, it offers its customers a wide range of items that can be

bought in one location, including furniture, accessories, lighting, textiles, and utensils. The company has its own production base and also has an extensive dealer network.

The key points determining the competitiveness of the Scandicum are careful market research, forecasting of market conditions, ability to build long-term relationships with consumers, the ability to utilize advanced information technologies, effective personnel management, an effective pricing policy, and the management of costs.

In order to meet the needs of the company as well as its customers, the company's logistics strategy is to offer high quality logistics services. A focus is placed on optimizing the use of logistics resources and minimizing logistics costs. As well as having an effective customer service system that assists in quickly resolving any questions or concerns that customers may have, the company is attempting to establish a reliable transportation network that can efficiently move goods from producers to consumers. Moreover, the company maintains a long-term relationship with carriers, which enables it to provide high-quality logistics services as well as minimize transport costs. Scandicum performs the following logistics operations to ensure a high level of customer service: (1) Warehouse operations are organized and managed, and (2) freight forwarding activities are coordinated and managed.

Moreover, the company provides a full range of logistics services, including:

- Integrated logistics support across all areas of activity through partnerships and collaborations. This means that resources, technology, and organizational processes are interdependent. Integrating logistics allows company to enhance flexibility and agility in the event of supply chain disruptions and mitigate risks.
- Operational management and monitoring of orders. Efficiencies in business processes in company are promoted and supported through operations management.

To implement these activities, Scandicum provides solution of the following tasks:

1. Supplier Relations Development:

In this way, the company and its suppliers should consider each other's mutual corporate interests. Additionally, the company seeks to establish partnerships with suppliers and to maintain a reserve supplier list for some products in order to minimize the risk of underdelivering. With Scandicum, suppliers have well-established channels of communication and accurate information about required deliveries is consistently available. Finally, Vendor Managed Inventory (VMI) and Just-In-Time (JIT) logistics practices are used by the company.

2. Optimizing inventory levels in the warehouse system while ensuring the required level of customer service:

   In order to accomplish this, Scandicum is attempting to reduce inventory for products shipped from France from six to four weeks and establishing close cooperation with logistics services providers, which will allow the company to have a minimal stock of products in its warehouse or not to have it at all and deliver goods as orders are received from clients in a JIT manner. Meanwhile, a high level of customer service is provided with minimal insurance stocks by managing order procedures (the Customer Care department is responsible for coordinating and controlling customer orders in collaboration with the Logistics Department and Commercial Team). Additionally, inventory management is important for company’s operation. In this way, the logistics department informs the manufacturer of product needs for three months in advance by informing the manufacturer on a monthly basis in order to plan production schedules, minimize material inventories and work in progress, and shorten production cycles.

   Considering all these factors, the company focuses on the following priorities in order to implement its logistics strategy and tactics:

   - Maximize client satisfaction (internal client priority)
   - Reducing logistics costs
   - Reduction of risks associated with transportation operations
   - Providing the market with a continuous supply of products
   - Keeping the market's product range balanced

The objective of Scandicum in logistics is to create a unified team, with minimal use of formal procedures and rules in order to organize and carry out an efficient logistics process. This goal is based on the concept of Total Quality Management (TQM). Generally, TQM defines management as a process for continuously improving the performance of a customer-centric organization. TQM is a management philosophy that focuses on achieving quality outcomes (Dahlgaard & Khanji, 2008). Thus, it is the responsibility of every member of Scandicum to help improve the processes, products, and services of their organization. Meanwhile, the company is seeking to improve its management and processes, especially in the area of logistics, as it represents one of the most important aspects of the business. As part of its efforts to achieve this goal, the company conducts an extensive selection process and certification process of its employees, utilizes the most advanced information technologies such as social media, website (including online shopping and live chat) and small business office software Microsoft 365, effectively manages business processes, and ensures their continuity.

At the same time, as the basic principles of building a logistics management system in the company are: (1) coordination of all units involved in logistics management, (2) creation of conditions that lead to the formation of competitive advantages, (3) cost-effective use of resources. The goal of logistics management is to maximize synergies among all parts of the organization involved in delivering goods to consumers.

As a result of this general idea, functional structures are established and implemented, which facilitate specific logistic processes. In addition, all activities related to the implementation of the logistics management strategy are performed within a single organizational structure - the logistics one. As a result, all divisions of the Sacndicum and all types of logistics activities operate under the same management framework.

3.2 Types of qualitative interviews

The purpose of this chapter is to examine the use of interviewing as a qualitative method, first by reviewing the literature. Following that, the types of interviews that researchers might choose to use will be discussed.

Our minds tend to associate the word 'interview' with two or more people chatting among themselves. According to Seidman (2006), interviewing is a qualitative research method in which data is collected by asking questions. Moreover, interviews are commonly used in the fields of marketing, social sciences, and ethnography.

Thorogood and Green (2009) note that interviews can be classified into several types, each with a different structure: (1) Structured; (2) semi-structured; and (3) unstructured interview.

1) During a structured interview, a set of questions are asked in a specific order with a limited number of responses available (Denzin, 2008). The participant should be asked to provide a response to each ordered question during interviews, which are usually brief. In this sense, this is characterized by a strong quantitative component. It can be used in both focus groups and individual interviews.

Furthermore, research may benefit from structured interviews if the following conditions are met:

- When the researcher is highly knowledgeable about the topic and formulates the questions in the form of open-ended questions in a survey-like format.
- Time and resources are limited for the researcher. Due to their closed nature, structured interviews are easier to analyze and can be a useful tool for individuals. (Stuckey, 2013)

2) Researchers who use semi-structured interviews have considerable flexibility in interviewing respondents while maintaining the basic structure of the interview. Flexibility is an important characteristic of this type of interview. On the one hand, the questions are simple, and the order of the questions is quite easy to follow. As opposed to this, questions can be very open, and the conversation may go in many directions before you have addressed all the topics that need to be addressed (Fylan, 2005). Researchers should use semi-structured interviews when they do not have the time to conduct research and need detailed information about a particular subject.

3) Unstructured interviews are the most flexible type of interview. There is no established order for asking questions. In contrast, they rely on social interaction between the researcher and the informant (Zhang, 2009). By definition, unstructured interviews are informal. In this way, detailed

information can be gathered on a topic while participants can still observe behavior. This flexibility, however, may make it difficult for them to be implemented effectively. In unstructured interviews, the primary objective is to establish a connection with respondents, resulting in a high probability that respondents will be 100% truthful (Burgess, 2003). At the same time, there are no guidelines for researchers to follow. Thus, they can approach participants ethically to get as much information as possible about their research topic.

However, scientists define one more type of interview – focus group. Typically, focus groups are used to collect data through semi-structured group interviews. The definition of a focus group is provided by Anderson (1990) as "a group of people who share certain characteristics and who discuss a particular issue or topic informally". There is a stronger sense of naturalness in a focus group as compared to an individual interview because participants are influenced by one another- as they would in real life (Casey, 2000). Depending on the study objective, focus groups could be suitable for research if the study involves examining group dynamics or if the questions are complex based on feelings, opinions, or perceptions that cannot be answered by a simple "yes" or "no".

In any case, an interview is an excellent research tool. A qualitative approach provides rich information and allows more detailed conclusions to be drawn than a quantitative approach, considering nonverbal signals, unexpected reactions, and emotional responses as well as verbal signals. It should be noted, however, that these tasks can also be time-consuming and deceptively difficult.

Table 4 shows the advantages and disadvantages of each type of interview, which may help to decide which research method is most appropriate for a particular topic.

Table 4. Advantages and disadvantages of each type of interview.

Type of interview	Advantages	Disadvantages
Structured interview	Can be used for quantitative research. Data can be compared. High reliability and quality. Time-efficient for interviewer and respondent.	Researcher cannot ask additional questions to clarify nuances. Coverage is limited, which can lead to the omission of interesting data. Responses may be biased. As a result of limited response options, people may be required to choose the "best fit" response.

Semi-structured interview	Can be used in quantitative researches. Validity is relatively high. If necessary, additional questions may be asked.	An interview with lower validity than a structured interview. A successful interview requires good conversational skills. It takes a great deal of time to prepare.
Unstructured interview	If necessary, additional questions may be asked. It may be more comfortable for respondents. High-quality data can be collected. Useful if little information is available on the topic.	Low reliability and validity. A successful interview requires good conversational skills. Easy to get distracted. It is difficult to compare data. It takes a great deal of time to prepare.
Focus groups	It is an effective method, since the interview is conducted simultaneously with a number of individuals. In most cases, respondents feel more comfortable. It is easier to discuss difficult topics.	Limited questions could be asked due to lack of time. Communication and leadership skills are required. Observer bias, recall bias, and social desirability bias are more likely to occur. There is no guarantee of confidentiality or other ethical considerations since multiple people are involved.

Scandicum OY has already had experience in conducting surveys on customer satisfaction with the quality of furniture. Based on the opinion of customers that the company has more reserves that can lead to an increase in sales, the company decided to open a retail store for interior accessories to boost sales. It is therefore the purpose of the interview to gather information that will enable new questions or ideas to be raised in this regard. Due to this, focus groups interview, which are conducted online, are suitable for conducting research.

3.3 Conducting interview

Scandicum OY's main problem is a reduction in the efficiency of its logistic system, and the primary objective of this study is to determine the amount of influence logistics has on the enterprise's results. The focus group consisted of 13 people: people between the ages of 20 and 60. These are key employees of small businesses. Employees were selected for the interview due to their knowledge of logistics in a direct and detailed manner. Having familiarity with the company's operations and processes allows them to offer valuable insight into the challenges faced by the logistics

department. Further, employees are directly affected by the logistics system in their daily work, and they are therefore more likely to be involved in finding solutions to any problems that may arise. A key objective of the interview is to identify the factors that have the greatest impact on the enterprise's logistics system.

3.3.1 Building of interview questions

Developing questions to discover the ways companies improve their logistics activities:

Q1: How do you assess the level of logistics in the enterprise?
Objective of the question: by asking this question, it will be possible to learn about the methods and metrics used by companies to evaluate their logistics operations.

Q2: Can you describe the logistics problems that your company faces?
Objective of the question: with this question the information about the specific challenges and issues that companies encounter in managing their logistics operations will be obtained. Furthermore, insights into the practice of logistics management will be gained as well as the most pressing areas for improvement identified.

Q3: Could your logistics be improved in any way?
Objective of the question: with this question the information about potential areas for logistics operations improvement will be acquired. Furthermore, the response can provide insight into the company's level of awareness and commitment to logistics optimization.

Q4: How would you describe the most important aspect of the logistics field?
Objective of the question:

Q5: What makes your customers choose to do business with you?
Objective of the question: It is significant to answer this question in order to obtain valuable information about the specific aspects of logistics management that customers find important, such as reliable and on-time deliveries, accurate order fulfillment, responsive customer service, effective communication, and competitive pricing. Additionally, it can assist in increasing customer satisfaction by increasing understanding of how logistics plays a role in building customer relationships.

Q6: What does logistics efficiency mean to you?
Objective of the question: It is important to obtain information about the company's understanding and priorities regarding logistics efficiency, as well as their relationship to the overall business objectives.

Q7: In your opinion, what needs to be done to improve the efficiency of your enterprise's logistics?
Objective of the question: with this question, it will be possible to understand the level of commitment and readiness of company to implement improvements in its logistics operations, as well as any potential obstacles or challenges that may need to be addressed for success to be achieved.

Q8: Can you describe the most serious (common) logistical challenges your organization faces?
Objective of the question: asking this question will allow to gain insight into the common problems that small enterprises encounter in their logistics operations and identify potential improvements. Additionally, the answer will enable to better understand how these challenges may impact the company's overall performance, its competitiveness, and its ability to address these issues.

Q9: What factors contribute to the decision-making process and the choice of a logistics direction?
Objective of the question: with this question, insights into the complex decision-making process that small enterprises undergo will be gained. Furthermore, the answer can assist in understanding the potential trade-offs and challenges small enterprises face in their decision-making process, including limited resources and expertise, market competition, regulatory requirements, and technological advances.

Q10: How do you deal with the main factors that determine your business's success or failure?
Objective of the question: A key objective of this question is to understand how companies manage the key factors that influence their business performance. As a result, a greater understanding of the companies' strategic priorities, risk management practices, and overall business outlook can be gained.

Q11: Among the many aspects of logistics, what do you consider to be the most important?

Objective of the question: information will be acquired regarding the specific areas of logistics that are prioritized by organizations, as well as information regarding key areas that need improvement. Further, the answer may be useful in identifying the organization's strengths and weaknesses in specific areas of logistics, which will be useful in developing a logistics strategy that is both efficient and effective.

Q12: How would you describe the main logistics challenges?
Objective of the question: Small businesses may encounter different logistic challenges depending on their type of business, industry, and location, so this question can help to identify those challenges. As well, the interviewee's response may provide information about how these challenges affect the performance and competitiveness of the organization.

Q13: What role does logistics play in your organization?
Objective of the question: the aim of this interview question is to understand the importance of logistics within the organization. Having an answer to this question can provide information regarding the level of importance given to logistics, as well as the organization's goals and objectives related to logistics, and the level of investment being made in logistics-related activities. In addition, it may shed light on the interviewee's perception of the relationship between logistics and the overall performance of the organization.

The selection of companies was made through the online service YTJ. It is a Finnish government service jointly maintained by the Finnish Patent and Registration Office and the Finnish Tax Administration called the Business Information System (BIS; Finnish: Yritysja yhteisötietojärjestelmä, YTJ). Additionally, the system provides access to Finnish Trade Registers and Finnish Foundation Registers as well as the ability to submit information regarding Finnish companies. The invitation for an interview was sent to the potential companies in electronic form via email. The table below shows the number of companies contacted and the number of companies that agreed to participate in the interview:

Table 5. Interview data.

The number of companies contacted	46
The number of surveyed	13

Return	28,26%

Number of enterprises surveyed is presented in the table below:

Table 6. The number of enterprises surveyed.

Enterprise	Adress	Type of bussines
Company A	Kerava	Manufacture of household furnishings of textile materials
Company B	Helsinki	Manufacture of household furnishings of textile materials
Company C	Vantaa	Manufacture of kitchen furniture
Company D	Porvoo	Manufacture of locks and hinges
Company E	Nummela	Manufacture of electronic lighting equipment
Company F	Espoo	Manufacture of kitchen furniture
Company G	Lahti	Manufacture of doors and windows
Company H	Kuusankoski	Manufacture of office and shop furniture
Company I	Helsinki	Manufacture of office and shop furniture
Company J	Espoo	Manufacture of office and shop furniture
Company K	Vantaa	Manufacture of office and shop furniture
Company L	Tuusula	Manufacture of office and shop furniture
Company O	Lahti	Manufacture of office and shop furniture

Below is a description of the structure of the focus group interview script:

The beginning of the conversation. Group members are introduced to each other and the purpose of the discussion is explained to them. Then respondents are asked simple questions (lifestyle, general questions about the product category) which prepare them for the upcoming exchange of experiences and participation in the discussion to follow. It is the moderator's responsibility at this

point to create an atmosphere of trust in the focus group. Following that, questions of a more detailed nature are asked. Depending on the specific goals set, the discussion can be divided into two types:

1) Focus group participants are gently guided by the moderator to the central questions of the discussion, and the questions themselves become more specific and focused during the process.
2) The moderator presents the group with a specific positioning statement, following which the group discusses related topics, resulting in the discussion becoming broader in scope.

Finally, the discussion naturally comes to an end, the moderator closes the list of questions, and the members of the audience are thanked for their participation.

3.4 Research results

Based on an analysis of the current situation, the following conclusions can be drawn:

- It is common for companies to evaluate different logistics indicators, although the majority of these indicators are cost evaluation indicators and logistics performance evaluation indicators.
- According to most respondents, in order to be effective, a logistics strategy should address issues with space constraints during times of production growth, large inventories, and inefficient flows of materials and information.
- It is estimated that 60% of companies have conflict situations (for example, communication between departments is not clear, conflicts with suppliers, inefficient processes or conflicting objectives) affecting their logistics departments.
- Logistics effectiveness is primarily evaluated based on operational logistics costs by the majority of companies (90%).
- Around 15% of the companies surveyed have a logistics strategy that is consciously established.

In addition, from the interview, it was determined that companies encounter the following main problems in their logistics activities:

Table 7. The analysis of interview data.

Process	Issue	Position within the logistics system	Possible solution
Planning	The lack of skills	System in general	Learning the latest techniques, attracting highly qualified employees
An analysis of the external environment	The lack of reliable data	The external material flows of purchases and sales	Information collection and analysis related to specialized services
Cost estimation for the logistics system	High cost	Transport and warehouse logistics	A small company may be able to expand its capabilities and offer a wider range of services by collaborating with other enterprises or logistics providers, developing and implementing progressive technologies
Funding	The lack of investment	System in general	Attracting new investors and obtaining loans
Paperwork	A lot of paperwork	Office management	Developing an optimization program (electronic document management)
Disorganized processes	In the logistics industry, things are constantly changing	Logistics and supply chain	Defining work methods or establishing charts to define what is expected at each stage of process

Taken together, the problem of logistics processes and its solution are forming a trend in which the cost of logistics can be reduced by utilizing the experience of other enterprises in the design and optimization of logistics processes. Logistics processes become an integral part of the procurement and sales management process, and their efficiency is essential for the competitiveness of an organization. Moreover, having an ability to integrate and coordinate at almost all levels of an organization and implementing the process flow management principle (process planning, documentation and process analysis), logistics services have real opportunities and tools to coordinate the local objectives of the enterprise's divisions with the global, systemic goals of the organization.

Therefore, logistics management is an essential element of success in enterprises that focus on creating and selling competitive products.

3.5 Project for an effective logistics strategy for Scandicum OY

Based on interview data, it has been found that some companies do not distinguish between logistics strategy and logistics planning. Logistics is often seen more as a cost than a value-creating activity by these companies. For the development of logistics strategy and planning, Copacino (1997) recommends the process shown in Figure 4:

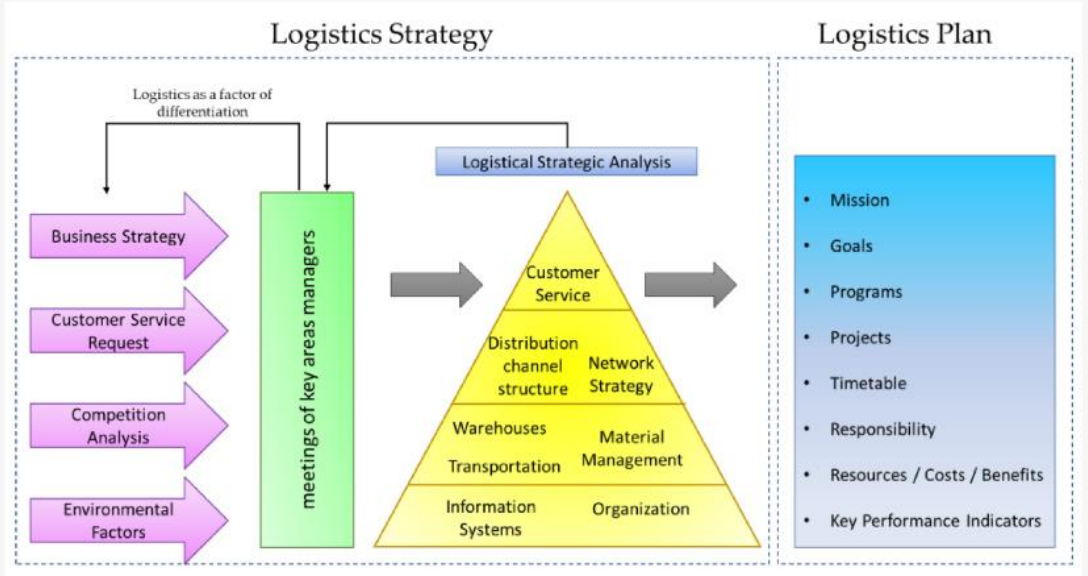

Figure 4. The development of logistics strategy and planning.

A major objective of Scandicum is to provide comprehensive services, it is therefore necessary to develop the business in a classical manner. In spite of this, it is important to keep in mind that different customers may have different expectations and preferences regarding the manner in which the sales process should be conducted. It is therefore significant that the company considers these needs and offers a comprehensive selection of services in order to fully satisfy its customers. For example, whenever a client prefers a tailored service style, the company may be able to provide them with services relating to the creation of design and the manufacture of products at their request.

The objective is to build a successful logistics process, however in order to do this it is necessary to understand the sequence in which the steps must be taken to develop a fully functional logistics system. Therefore, it is proposed to move sequentially, starting with the development of a first-level logistics system. The schematic looks as follows:

Figure 5. An algorithm for building a logistics system.

Consequently, it is necessary to modify the company's strategy in relation to potential customers and align it with the other main strategies that are currently in use on the market by setting the following priorities:

1. Increasing the efficiency of logistics services
2. Reducing the cost of logistics

In this case, all other approaches will not produce a tangible and real result, since the competition is very high in these areas where the company is currently operating.

Thus, first of all, the existing processes of the organization will be identified and assigned to the following categories: core, support, management, and development processes. Generally, core processes are those that add value to the company's main products. By managing resources and/or infrastructure, the support process is intended to support the activities of the organization. Moreover, it is necessary to manage processes so that activities can be measured, monitored, and controlled. Management of the process ensures that the primary and secondary processes are developed and executed in accordance with the established goals and constraints. Accordingly, Scandicum OY's organizational process is illustrated in Figure 6:

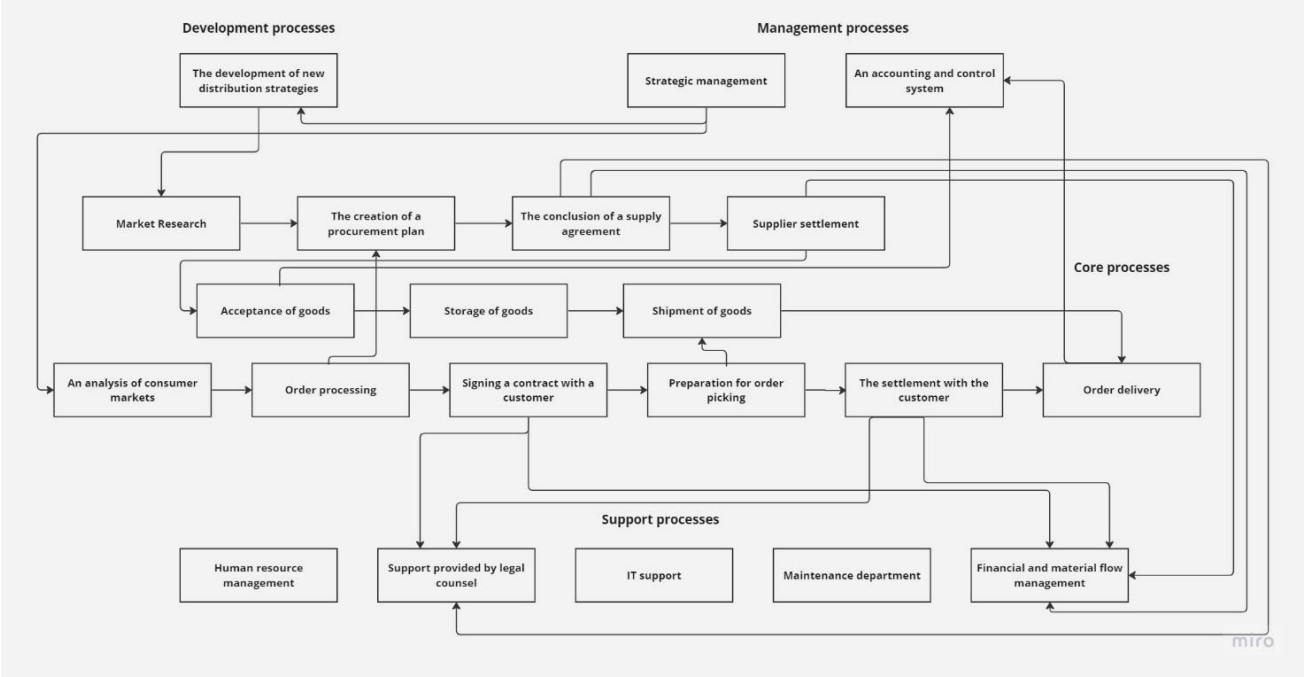

Figure 6. Scandicum OY's core business processes.

The analysis of existing business processes within an organization can be divided into two levels. Firstly, the selected business process is compared with the enterprise process model. As a process model, the Process Classification Framework (PCF) for process evaluation developed by the American Productivity & Quality Center (APQC) is used (APQC, 1994-2023). The PCF APQC tool serves as a main identification tool for primary, secondary, and control processes across all industries.

Table 8. APQC PCF Framework.

1.0	Developing vision and strategy
2.0	Product / service development and management
3.0	Product / service promotion and sales
4.0	Supply of products
5.0	Provision of services
6.0	Post-sales management
7.0	Human resource development and management
8.0	Information technology management
9.0	Management of financial resources
10.0	Management of fixed assets, including acquisition and maintenance
11.0	Rick management, compliance, recovery, and sustainability
12.0	External relationships management
13.0	The development and management of enterprise competencies

Following this, the identified processes of the organization were compared with the selected process model (Table 9):

Table 9. An analysis of the organization's processes in relation to the model of processes.

	APQC PCF Framework	Scandicum processes
1.0	Developing vision and strategy	
2.0	Product / service development and management	
3.0	Product / service promotion and sales	Promotion of services and events through advertising and marketing
4.0	Supply of products	Supply activities
5.0	Provision of services	Provision of services
6.0	Post-sales management	
7.0	Human resource development and management	HR administration
8.0	Information technology management	The installation and updating of software
9.0	Management of financial resources	Planning Accounting Management Calculations
10.0	Management of fixed assets, including acquisition and maintenance	The maintenance and repairs of premises, equipment
11.0	Rick management, compliance, recovery, and sustainability	
12.0	External relationships management	Providing reports to the organization's governing bodies
13.0	The development and management of enterprise competencies	Organizing activities Monitoring

According to the analysis of the process model, the organization does not have any development processes - the development and implementation of new services, as well as improvements to existing services, are not provided and occur on a random basis, resulting in reduced efficiency of business process management for the organization. Aside from this, the process of promoting and selling products and services consists primarily of advertising - there is no study of the organization's market, customer systems, or possible promotional and sales channels. Consequently, the analysis of processes provided an understanding of the technological operations and the results of those actions that determined the organization's goals.

One of the leading forces behind change is a clear vision of strategic goals and an irresistible desire to achieve those goals. It is proposed that the maximization of investment value should be the criterion for forming an effective business model. In this regard, Figure 7 illustrates how Scandicum OY is able to develop a financial and economic model of assessing its business processes and shows the main parameters of a financial and economic model for evaluating its business processes:

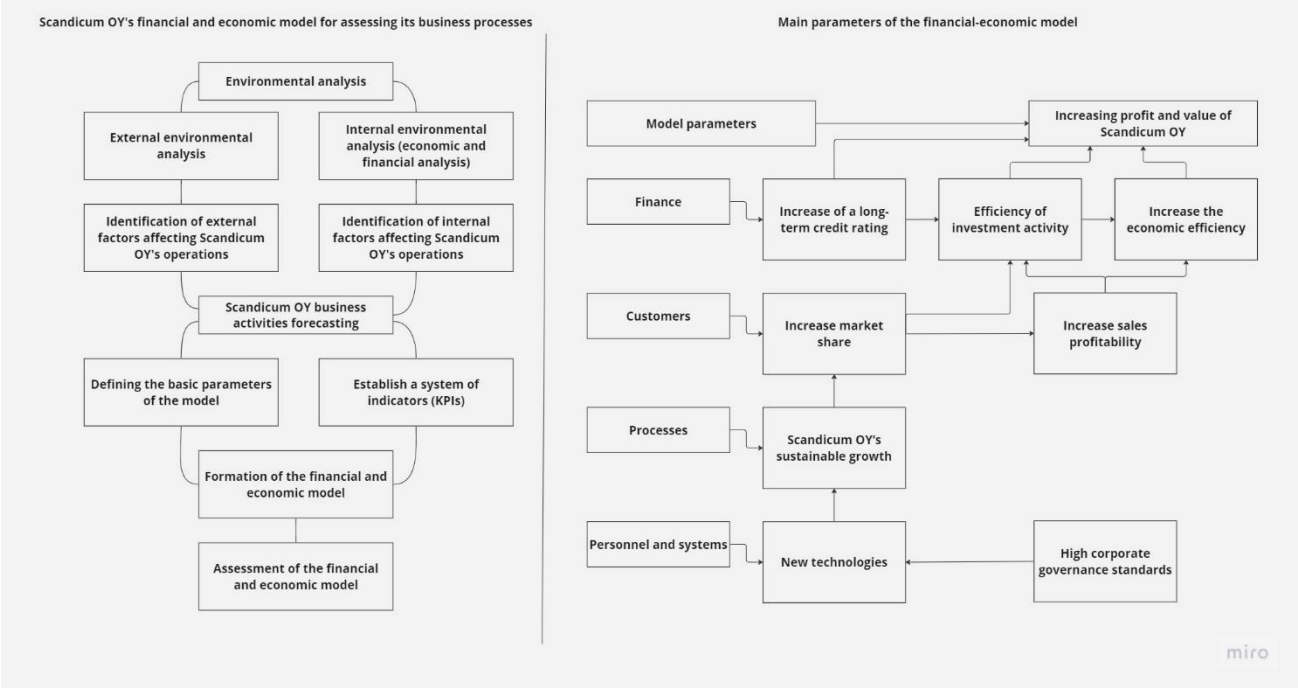

Figure 7. Scandicum OY's financial and economic model.

This stage requires the sequential implementation of the following steps in order for these strategies to be implemented:

Identifying the key performance indicators of the company's existing logistics system, which requires evaluating both the effectiveness of the business as a whole as well as its components (departments, processes, and employees). Additionally, it is necessary to analyze the financial results of the existing business in order to determine its effectiveness in the different areas. There is a possibility of personnel restructuring as well.

Afterward, the development of a process model or the construction of business processes, as well as the development of the organizational structure of a company or logistics service are performed. Ideally, this should be accomplished simultaneously, since a business process depends heavily on its structure, and that structure in turn depends upon its ability to execute a particular business process.

At the same, an organization should have at least three main departments in order to manage all processes efficiently:

Figure 8. Main company's units.

Furthermore, an information support system is a set of methods and techniques for collecting, storing, transmitting, and processing information in order to achieve the goals of logistics. In addition, logistics management systems comprise information systems, databases, and information technologies. Thus, logistics information support is one of the most important components of this business, so all responsible managers should pay close attention to this area. As the company plans to engage in direct business as well as in a new direction, it will be necessary to have a system that allows all divisions to be integrated into one logistics network.

3.6 Economic impact of implementing a logistics strategy

Each business process should incorporate the definition of the economic effect by considering expansion of activities and cost savings in terms of material, financial and information flows. As the project is being developed, the parameters of the project, its structure, the composition of participants, are constantly evolving. Thus, the parameters that characterize the project (projected costs,

income, expenses, etc.) are affected. During the implementation of the logistics strategy, it is necessary to analyze the change in project performance indicators, while taking into consideration that deviations from the planned parameters may occur.

A functional relationship between profit, production, and sales volume and costs can be established in economic analysis through the division of costs into variable and fixed elements. Using this dependence, calculations are performed to determine the margin levels depending on the prices set, the type of products in the assortment, the assessment of variable costs, and the total amount of fixed costs.

Moreover, an enterprise's break-even level can be predicted using this dependence. The break-even point is the point at which the total revenue equals the total cost of production. Using this indicator, managers can determine the minimum amount of production that must be sold to avoid losses. Next, considering the sequence of forecasting critical volumes of services sold:

There are 613 interior accessories sold by the organization for a total amount of 575 054 euros according to their report. Approximately 448 542 euros (C) will be spent on purchasing and selling interior accessories. This includes variable costs (VC) of 394 717 €, and fixed costs (FC) of 53 825 €. In this case, the profit from the sale of products (P0) amounted to 126 512 € (575 054 - 448 542).

In accordance with the company's data, calculate the amount of revenue and the number of products sold at break-even:

Table 10. A relationship between the volume of revenue and the quantity of products sold and their price. Data received from Scandicum report.

Denomination	€
Sales price per unit (P)	939
Number of products sold; units (U)	613
Fixed cost (FC)	53 825
Variable cost (VC)	394 717
Unit variable cost (VC_u)	644
Revenues from sales (R)	575 054
Cost (C)	448 542
Break-even quantity; units (Q)	182
Break-even revenue (BR)	1831410

Break-even sales volume (BV)	171 636

There will be the sale of 613 interior accessories at an average price of 939 € per unit. Unit variable cost is 644 € (VC / U).

At the break-even point, the critical sales volume is 171 636 €, according to the formula **BV = FC : (1 – VC : R)**. As a consequence, when the organization sells accessories totaling 171 636 € at the current cost level, its profitability is 0.

Break-even quantity (Q) = Fixed costs / (Sales price per unit – Variable cost per unit) = 182 € and the Break-even revenue (BR) = Break-even quantity * Sales price per unit = 170 898 €.

The next step will be to calculate the influence of factors on the critical sales volume for the future.

1. **The impact of a change in fixed costs**

Based on the assumption that fixed costs will be reduced by 6% in the forecast period, then their amount will be 50 596 €. In this case, the sales volume will be = (50 596 – 53 825) / (939 – 644) = - 10 units. As a result, the organization would need to sell 10 less units of products in the forecast period in order to break even after a 6% decrease in fixed costs.

2. **The impact of changes in variable costs**

It is planned that unit variable costs will increase by 7% during the forecast period. Therefore, it will amount to 689 €. In this case, the sales volume will be = 53 825* (1/(939 – 689) – 1/(939– 644)) = - 32 units. As a result of the calculation, if unit variable costs increase (and all other conditions remain unchanged), the organization would have to sell 32 units less in order to break even. Otherwise, Scandicum OY will experience a decrease in profitability.

3. The impact of a change in price

It is planned that unit sales price will increase by 14% during the forecast period. Consequently, it will amount to 1070 €. In this case, the sales volume will be = 53 825* (1/(1070 – 644) – 1/(939 – 664)) = -56 units.

By raising the cost of products, it will be possible for the company to earn a greater profit, and accordingly will not be required to produce more goods. Due to this, organizations may be able to sell 56 units fewer than in the period under review with an increase in the sale price of services of 14%.

4. Estimation of break-even revenue from sales

Therefore, when all factors change simultaneously, the cumulative effect of all factors on the change in the volume of sales (VS_{all}) during the forecast period will be as follows: VS_{all} = – 10 – 32 – 56 = – 98 units. And the product sales volume at break-even point should be at least: 182 – 98 = 84 units. Considering that the average selling price of an accessory will be 1 070 € during the forecast period, it is necessary to sell units of accessories for a sum not less than 104 860 € (1070 * 98) in order to be a break-even organization.

By applying the break-even analysis technique, it is possible to answer the question: “How much do we need to increase (decrease) sales by in order to increase (decrease) profit by x%?”. The profit from the sale of interior accessories based on Scandicum’s report was 126 512 € and it is projected to rise by 3%, then:

VS(P) = (126 512 *1,03 – 126 512) / (939 – 644) = 13 units.

Thus, sales volume should increase by 13 units, but if the price and variable costs change, then:

VS(P+VC) = (126 512 *1,03 – 126 512) / (1070 – 644) = 9 units. Therefore, the sales volume should increase by 9 units.

Furthermore, the analysis should be conducted in the context of each product sold by the organization, rather than using the average price of goods, as is done in this study. Following this, all changes in the production and sale of all products are summed up, and the amount of revenue at break-even point is calculated as a whole.

4 Discussion

Having examined and analyzed the current state of the art in logistics and logistics strategy development, the following chapter discusses the main findings of the case study with a theoretical background.

Companies without a logistics strategy are at risk of falling behind their competitors or losing stable income, even if they have the most efficient logistics solutions. Logistics strategy refers to a set of methods and approaches that ensure efficient functioning of a logistics system based on logistics principles. The following factors should be considered when developing a logistics strategy:

- An enterprise's objectives
- The level of organization and management of the processes
- Competitive environment

In order to achieve its formation, a set of measures should be developed and implemented to integrate logistics into the company's operations. A logistics strategy is extremely important, considering the competitive nature of the market and the development of the logistics services market for enterprises, as well as for small and medium-sized businesses. Modern entrepreneurs recognize the importance of building an efficient logistical system that meets market demands and provides a competitive advantage to the organization.

Moreover, a furniture company's development strategy is greatly influenced by natural, demographic, political, economic, and a variety of other factors. Depending on them, the company will receive income and determine what areas will be the most profitable in the short- and long-term. Profitability of the business can be calculated based on their ability to meet the expectations.

However, these factors can vary significantly between locations, and so it is necessary for each location to develop its own strategy. Nevertheless, there are a number of general principles and rules that can be used to formulate a strategy.

As part of this paper, a brief overview of existing approaches for the implementation of logistics processes in an organization is presented, along with the methodology for applying these approaches in the conditions of Finnish firms. In addition, this paper presents a methodology for evaluating the effectiveness of logistics management using marginal indicators.

Finally, logistics strategy is designed to improve the efficiency of the material flow management system. Additionally, it is an extremely effective tool for reducing and optimizing a company's variable costs. As a result of the implementation of a logistics strategy, the company's economic stability is enhanced. Developing this system requires, first of all, an understanding of the logistics processes taking place within it, as well as an analysis and evaluation of the main logistics factors that influence the effectiveness of this system.

4.1 Proposals for development

There are several areas that can be further developed in future work for Scandicum in order to enhance the efficiency and effectiveness of its logistical operations.

Scandicum OY's decision to open an interior accessories retail store - produced in Scandinavian factories - represents a real opportunity not only to be competitive in the furniture market, but also to increase its share. Store will feature a variety of Swedish brands, including Lillio, Bork, and Stag. As a product that is constantly relevant, furniture and accessories are in high demand, making the business associated with their sale highly profitable. Furthermore, during the past few years, buyers have become increasingly selective when choosing products for their interiors, as well as more demanding of the quality of these products. Meanwhile, people have recently given preference to goods made in Scandinavia, particularly in Sweden. All these factors suggest that the establishment of a store selling furniture and interior accessories will contribute to the continued development of Scandicum OY in the furniture market.

In addition, Scandicum may be able to make its logistics strategy more sustainable as consumers become more concerned about environmental issues. The company may use more environmentally friendly packaging materials, reduce carbon emissions from transportation, and promote sustainable practices throughout its supply chain in order to achieve these goals.

By concentrating on these areas, Scandicum will be able to continue to improve its logistics strategy and maintain its competitive advantage within the furniture industry.

5 Conclusion

To conclude, the purpose of this thesis was to develop an effective logistics strategy for the furniture company Scandicum OY. This thesis was theoretically based on the concept, essence, and classification of logistics strategies, as well as the influence of logistics strategies on the performance of small businesses and factors affecting the development of profitable logistics strategies.

Moreover, in the thesis work an overview of Scandicum OY was presented and an effective logistics strategy was developed, taking into account the economic impacts of implementing it. An analysis is conducted of the organization's structure, of its business processes, as well as of the main stages of the enterprise's operations. This paper has highlighted the importance of logistics strategies for small businesses and identified the key factors contributing to their success.

Furthermore, marketing research was conducted through a focus group, which provided valuable information regarding consumer needs and preferences, as well as the most common logistical problems that enterprises encounter. A strategy was thus determined based on the results of the focus group in order to ensure the enterprise's progress.

Considering all factors, a logistics strategy based on cost minimization was proposed for Scandicum OY. For Scandicum to achieve maximum profitability, it is necessary to:

1. Maintain the efficiency of the logistics process.

2. Reduce logistics costs as much as possible.

Meanwhile, the strategy is aimed at continuously improving the quality of services offered to customers, reducing costs, and increasing customer satisfaction. The company strives to become a market leader by offering its customers the best solutions possible based on high quality standards.

5.1 Reliability and Ethics review

It was the findings presented in articles, journals, writings, and literature that formed the theoretical foundation for the development of this thesis. Official websites, e-databases, e-books, and Google Scholar were used as sources. Additionally, In the online library of the JAMK University of Applied Sciences, it was possible to find reliable references. The reliability of this thesis is therefore assured. Furthermore, this paper adheres to the guidelines for thesis layout and ethical practice established by JAMK.

An interview was conducted in order to gather information using a qualitative approach. During the survey, data was collected from companies registered in Finland. E-mails and social media were used to contact Finnish companies. Compared to expectations, fewer respondents participated in the interview. Although the target group was small, it was reliable. Moreover, the participants were informed that they may choose not to answer any questions they feel uncomfortable answering. In accordance with the study's ethical standards, all participants were treated with respect and dignity as well as courtesy and their privacy was protected.

The companies may, however, be at different stages in their development, which is why their answers may vary. Thus, there is only one reason for the lack of reliability. Similarly positioned companies in the future may produce different results, but that is entirely due to internal factors such as staff and their ability to handle their respective situations. Therefore, Scandicum may find it beneficial to conduct a survey again for a larger audience in the future.

5.2 Suggestion for future

The creation of an effective logistics strategy alone is not sufficient for establishing a company. Further research is needed to reach the next level. In this stage, it is highly advisable to conduct market research, as well as to formulate sales and financial strategies. In order to promote the

brand image, it is necessary to develop a strategic marketing plan and effectively implement it. It is essential to know the target market, specifically in Finland, in order to deliver the appropriate product at the appropriate time to the right segment. Furthermore, it would be helpful for the author to interview furniture companies' customers in Finland with a view to gain insight into the targets and preferences of these customers as well as their decision-making process.

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Appendices

Appendix 1. Title of the Appendix