

LOGISTIC CONSULTING

Consulting – advising. Consulting is able to identify new targets.

Straight away we would like to stipulate that there are many consulting companies; many call themselves the number 1 consulting companies in Russia without going through the usual way of logistics, suppliers, who have never worked in a warehouse, who just have a general idea of transport, but skillfully insert in their conversation the English abbreviations ABM (“Activity Based Management”), BPR (“Business Process Reengineering”), and so on. We are the consultants not only in words, but in deeds as well that benefit the business.

We would like to note that modern logistics covers and unites data exchange, transportation, inventory management, warehousing and freight processing in a single process.

The operational task of logistics is to arrange reasonable placement of sources of raw materials, work-in-process, finished products reserves which would be balanced in the needs involving minimal costs.

Logistics creates the added value if the reserves are located appropriately to facilitate the sales process. It should be noted that logistics management is to create and establish such systems of material resources, flow of work-in-process and finished products reserves, which would serve as a support for business strategy of an economic unit.

The overall objective of logistics is to ensure the intended (target) level of customer service at minimum total cost [2].

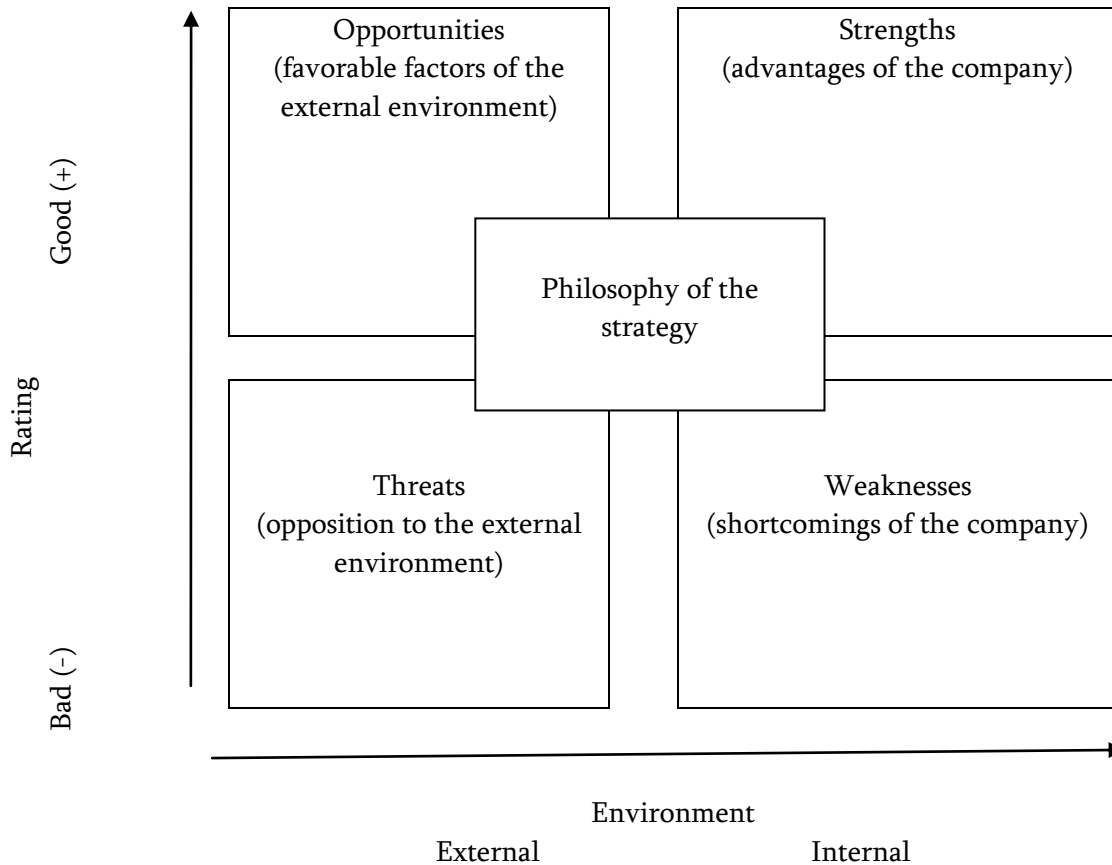
The rating of industry competition is reduced to a systematic study of the opportunities and potential limitations of the company at the industry market, taking into account parameters such as size and growth of the market, potential profitability, the key success factors, foreign competition and labor relationship. The analysis of competitive forces should include the influence and the degree of control belonging to industry leaders, international competition, rivalry and hostility acuteness, consumers and suppliers influence, the key areas of competence of major competitors.

In order to understand what a basic level of service is sufficient for successful competition in the specific industry, a comparative analysis of competence in logistics compared with competitors should regularly be carried out [2].

The services sector is an integral part of the national economic complex and represents an area of value creation, increasing the total consumption fund. A distinctive feature of the modern period is a transition from an industrial economy to a service economy as the service sector becomes a driving force for economic development. A civilized state is characterized not so much by the level of production as by the presence and level of services. Thus, the share of services in gross national product of industrialized countries is 65-70%. The U.S. service industry employs 70% of the whole number of workforce, Japan - 60%. These are logistical goals and priorities for our country.

In recent years, the market of logistics services has changed significantly - in addition to the traditional multi-service logistics company, a new area - logistics consulting has appeared.

The analysis of the overall situation in the industry (macro environment of the company) provides the basis for the development of a competitive corporate strategy (it is enough to answer to seven posed questions). It also defines the principles of competitive markets setting the five competitive forces (the model of the “five forces” by Porter). As a result, we have chosen the matrix of “qualitative” strategic analysis as the regular primary tool of strategic management, or a matrix of the SWOT-analysis (Strengths; Weaknesses; Opportunities; Threats).



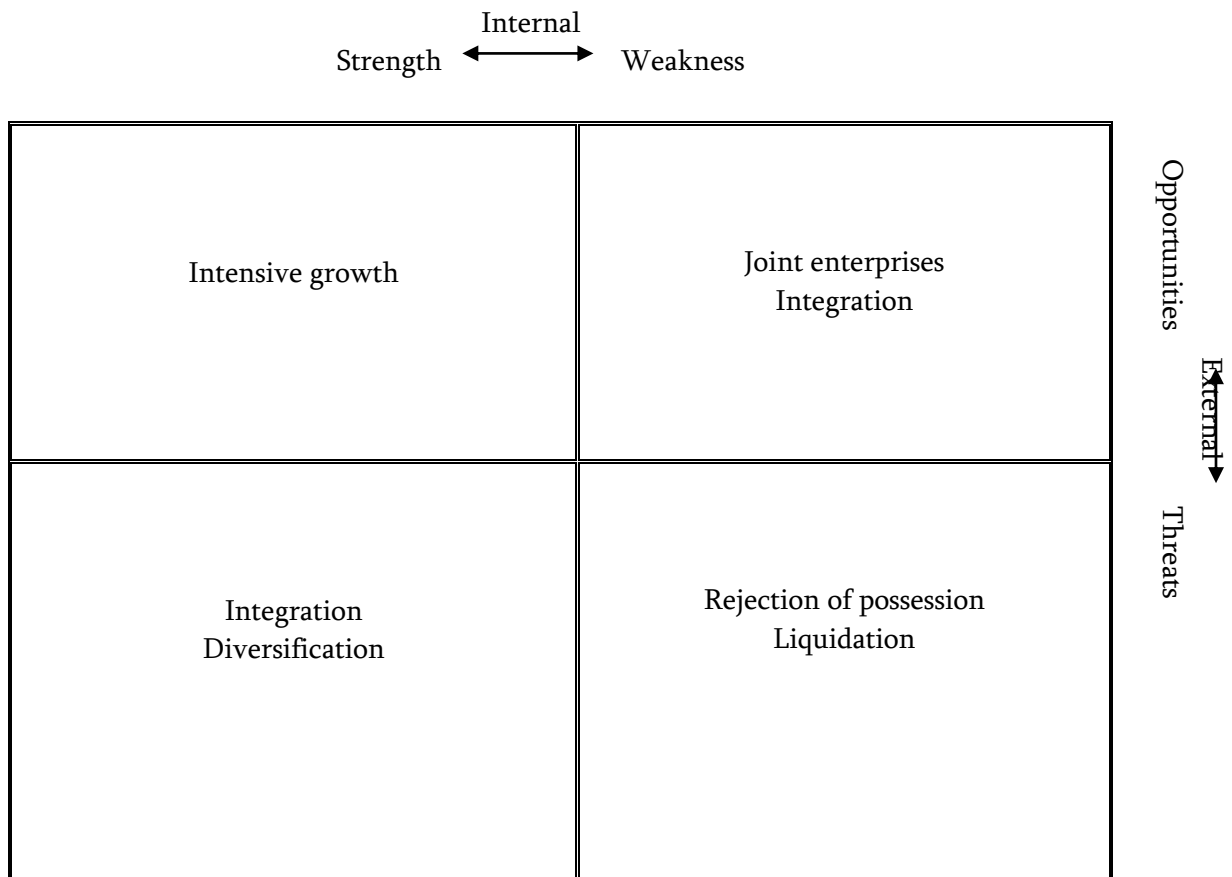
Picture.1.1. Matrix of the primary strategic SWOT analysis.

The most attractive in this method is that the information field is formed by the managers and by the most competent employees, based on generalization and harmonization of their own experience and vision of the situation.

In addition, strategic decisions involve more external than internal problems of the company, particularly, those solutions which are associated with the choice of the product range and market segments.

The choice of effective strategies that meet the internal parameters of the company and its position in the market and, in general, in the external environment is made by constructing a matrix of correlation SWOT-analysis.

Following is an example of such a matrix for choosing a corporate strategy:



Picture.1.2. Matrix of correlation SWOT-analysis.

Thus, the development strategy of the company is based on the analysis of specific market segments to assess the favorable penetration in the intended scope, their use to strengthen its position. Herewith, the success depends on the formal, precise, complete and comprehensive description of the enterprise's interaction with the external environment. This provides some assurance that strategic decisions are taken by "Select-Group" on the basis of the analysis of the whole available information and nothing is missing.

In recent times, the concept of "logistics consulting" becomes more common in the media, in advertising materials of companies on the Internet, but without giving its definition as the term. To determine the nature of the "logistics consulting" concept, it is necessary to investigate its constituent parts-concepts – "logistics" and "consulting".

The term "logistics" - is treated as "relevant to the logistics, associated with it" [1].

Logistics is the science of control and optimization of material and associated flows (information, financial, service, etc.) in micro-, meso- and macroeconomic systems.

The basis for the understanding of logistics is the using of the so-called systems approach in which the various functions - transportation, handling operations, packaging, inventory management, warehousing and order processing are treated as interrelated and interacting elements of the system. The systems approach involves the optimization of the entire system, rather than any of its individual parts.

"Logistics is management of material flows, flows of services, and information and financial flows associated with them, in the logistic system to achieve its assigned goals" [3,248].

Logistics consulting, both in a restricted and a broad sense, can be considered from different points:

- as a kind of activity. In this sense, logistics consulting is the process of optimizing the material, information and financial flows in the enterprise;
- as an art, because it requires certain skills, experience, personal skills and talents of consultants;
- as a field of activity, which combines the specific process of logistics consulting, art and science, and demonstrates the growing professionalism of logistics consultants.

The scope of application of logistics consulting, as opposed to other types of management consulting, is optimization of logistics activities which can be understood as a “logistics activities, operations or functions to improve any process” [3]. Logistics consulting is designed to optimize the functional areas of logistics - procurement, warehousing, manufacturing, transportation, sales, and inventory management. Optimization can be carried out in fragments - for example, technological design of a storage system, or in complex - the formation of logistic concepts and its development strategies by optimization of relevant business processes.

Logistics consulting uses the methods, models and knowledge of sciences such as logistics, logistics and marketing research, economic and mathematical methods, informatics, management, marketing, project management, psychology, etc.

The basic methods of solving the problems in the framework of logistics consulting services are the following:

- modeling of business processes using IDEF and ARIS methodologies;
- expert methods;
- modeling of enterprises' activity in the field of logistics with the help of probable-statistical methods of simulation modeling;
- methods of heuristic analysis and synthesis;
- methods for linear, nonlinear, dynamic and stochastic programming to solve the economic problems of optimization;
- methods of structural analysis and structural optimization.

References

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3. Sergeev V. 2006. *Logistics in the business*. Moscow, INFRA.