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LOGISTICS COSTS AND LOGISTICS EFFICIENCY

Abstract: Logistics costs and efficiency are critical considerations for organizations seeking to optimize their supply chain operations and remain competitive in today's dynamic business landscape. This abstract delves into the intricate relationship between logistics costs and efficiency, exploring strategies for achieving a balance between cost containment and operational effectiveness. We examine the key drivers of logistics costs, including transportation, inventory, warehousing, and information management, and analyze how these factors influence overall supply chain efficiency. Additionally, we explore methodologies for measuring logistics performance and identifying opportunities for cost reduction and process improvement. By synthesizing insights from academic research and industry best practices, this abstract provides valuable guidance for organizations seeking to enhance their logistics operations while minimizing costs and maximizing efficiency.

Key words: efficiency, comprehensive indicators, logistics planning, "double" accounting, "black money", the concept of logistics service quality, service quality, productivity of the logistics system.

Introduction: In the ever-evolving landscape of supply chain management, striking the right balance between logistics costs and efficiency is paramount for organizational success. Logistics costs encompass a wide array of expenditures, including transportation, inventory holding, warehousing, and information management, all of which directly impact the bottom line. Meanwhile, logistics efficiency reflects the ability to deliver goods and services promptly, reliably, and economically. In this article, we delve into the intricate relationship between logistics costs and efficiency, exploring strategies for optimizing both to achieve sustainable competitive advantage.

Understanding Logistics Costs: Logistics costs constitute a significant portion of a company's total operating expenses, making it imperative for organizations to understand their cost structure comprehensively. Transportation costs, influenced by factors such as fuel prices, carrier rates, and shipping distances, often represent a substantial portion of logistics expenditures. Inventory holding costs, including storage, obsolescence, and carrying costs, are another significant component, particularly for businesses with extensive supply chains. Additionally, warehousing costs, information management expenses, and administrative overheads contribute to the overall logistics cost profile.

Enhancing Logistics Efficiency: Efficient logistics operations are characterized by streamlined processes, optimized resource utilization, and timely delivery of goods and services. Adopting lean principles, such as just-in-time inventory management and continuous process improvement, can significantly enhance logistics efficiency by minimizing waste and reducing lead times. Moreover, leveraging technology solutions, such as transportation management systems (TMS), warehouse management systems (WMS), and supply chain analytics, enables real-time visibility, proactive decision-making, and performance optimization across the supply chain.

Main part:

Any business organization that implements logistics and forms a logistics system that meets its goals, first of all, seeks to evaluate its actual or potential effectiveness.

During the development of logistics in industrialized countries, a system of indicators was formed to evaluate its effectiveness and efficiency, which usually include:

- general logistics costs;
- quality of logistics service;
- duration of logistic cycles;
- efficiency;
- return of investments in logistics infrastructure.

These indicators can be called the main or complex indicators of the efficiency of the logistics system.
They are based on reporting forms of companies and indicator systems of logistics plans at various levels. There are generally accepted procedures for the comparative assessment of firms in the field of logistics, based on analytical and expert methods, using the indicated complex indicators.
Thus, the main/complex indicators of the efficiency of the logistics system are the main indicators of the efficiency of the use of resources for the logistics system formed in the company, they together evaluate the efficiency of logistics management and are the basis of logistics planning, accounting and control.

Total logistics costs are the total costs associated with logistics management and functional logistics management in the logistics system. General logistics costs can be divided into the following main cost groups:

- costs of logistics operations / performance of functions (operational, logistics costs);
- losses caused by logistical risks;
- costs of logistics administration.

Most forms of the logistics plan implementation report include logistics cost indicators grouped by logistics functional areas, such as material handling costs, physical distribution operations costs, etc.

The analysis of the structure of logistics costs in various sectors of economically developed countries shows that the largest share of them corresponds to the following costs:

- inventory management (20-40%);
- transport costs (15-35%);
- costs of administrative and management functions (9-14%).

The most important components (parameters) of service quality measurement:
• accuracy is the physical conditions of the service, facilities, office equipment, equipment, type of staff, etc.;
• reliability - "just in time" performance, for example, in physical distribution, delivering the right product to the right place at the right time. Reliability of information and financial transactions related to physical distribution;
• responsibility - willingness to help the customer, guarantee of service;

• completeness - availability of required skills, qualifications, knowledge;
• availability - ease of establishing relationships with service providers, convenient time for the customer to provide logistics services;
• safety - lack of risk, uncertainty (for example, cargo safety during cargo transportation);
• politeness - the behavior of the service organization, the correctness of the employees, the ability to speak in a language understandable to the customer;
• mutual understanding with the buyer - sincere interest in the buyer, the ability to understand his needs (demands).
• the specification of quality parameters of logistics services and the selection of methods (methods) for their evaluation and management is probably the most difficult issue of logistics administration.

Conclusion: In today's highly competitive business environment, optimizing logistics costs and efficiency is crucial for maintaining a competitive edge and meeting customer expectations. By adopting a strategic approach that balances cost management with efficiency improvement initiatives, organizations can unlock value, enhance operational agility, and drive sustainable growth in the dynamic world of supply chain management. Embracing innovation, collaboration, and continuous improvement as core principles, organizations can navigate the complexities of modern logistics and thrive in an increasingly interconnected global marketplace.

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