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Improvement of efficiency of enterprises operating in the services sector on the basis of logistics concepts

Abstract. At the modern stage of worldwide economic progress, there appears to be an advanced sphere of services related to social and economic life of industrially developed countries. On the basis of statistical data analysis, it emerges that despite the difficult situation in the sphere of finance and economics in the country, the Ukrainian services sector has shown positive growth trends over the past five years. Choosing a logistics concept to improve the efficiency of enterprises operating in the services sector is relevant because such an approach provides maximum control over the costs and market sensitivity of enterprises with regard to consumer needs. It has been found out that the main criteria of economic efficiency in the services sector are cost minimisation and enhanced quality of services. The article offers some recommendations related to the improvement of the efficiency of enterprises operating in the services sector, which, according to their influence on business activity of enterprises, are classified as those that cause minor, tangible or major changes and reduce enterprises' expenditures. The proposed recommendations will help enterprises meet consumer needs, enhance the quality of services and significantly reduce expenditures.

Keywords: Services Sector; Logistic Concept; Enterprise Functioning; Efficiency; Service Quality

JEL Classification: D21; M21; L80; L84; O14

DOI: <http://dx.doi.org/10.21003/ea.V156-0023>

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Підвищення ефективності функціонування підприємств сфери послуг на основі використання логістичної концепції

Анотація. Виявлений базовий перелік видів вітчизняних підприємств сфери послуг, що потребують збільшення обсягів реалізованих послуг, дозволив визначити основні тенденції розвитку вітчизняної сфери послуг. Сутність поняття «послуга» обумовлює актуальність застосування логістичної концепції для підприємств сфери послуг. Виявлено найбільш вагомі фактори для підприємств сфери послуг, зміни яких сприяють підвищенню ефективності функціонування таких підприємств. Виокремлено складові логістичної концепції, якими активно користуються підприємства сфери послуг. Наведено перелік методичних рекомендацій щодо підвищення ефективності функціонування вітчизняних підприємств сфери послуг. Представлено п'ятирівневу модель якості послуг.

Ключові слова: сфера послуг; логістична концепція; функціонування підприємств; ефективність; якість послуг.

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Повышение эффективности функционирования предприятий сферы услуг на основе использования логистической концепции

Аннотация. Определение базового перечня видов отечественных предприятий сферы услуг, требующих увеличения объемов реализованных услуг, позволило сформировать основные тенденции развития отечественной сферы услуг. Сущность понятия «услуга», обуславливает актуальность применения логистической концепции для предприятий сферы услуг. Виявлені найбільш вагомі фактори для підприємств сфери послуг, змінення котрих сприяють підвищенню ефективності функціонування таких підприємств. Виділені складові логістичної концепції, необхідної для активного використання підприємствами сфери послуг, а також представлений перелік методических рекомендацій по підвищенню ефективності функціонування вітчизняних підприємств сфери послуг. Представлена п'ятирівнева модель якості послуг.

Ключевые слова: сфера услуг; логистическая концепция; функционирование предприятий; эффективность; качество услуг.

1. Introduction. At the modern stage of worldwide economic progress, the leading role of the services sector becomes quite noticeable in social and economic life of industrially developed countries. The new socially oriented vector of economic development requires from the abovementioned sector reforming of its main elements in the system of mana-

gement. Reforms of the Ukrainian economy should consider changes in the services sector, thereby there is a need to develop new theoretical principles of services sector functioning with regard to socially oriented development.

2. Brief Literature Review. Problems of management related to enterprises operating in the services sector are cove-

red in the works of such foreign scientists as P. Kotler (2014) [1], R. Norman (2000) [2], C. Gronroos (2015) [3], C. Lovelock, J. Wirtz (2011) [4] and others. The relevant problems have been studied by domestic scientists, among whom are S. Illiashenko (2008) [5], Kukharskaia N. (2010) [6], S. Kuchyn (2011) [7], M. Matviiev (2011) [8], N. Pospelova (2004) [9], etc. However, a number of problems concerning the effective management of enterprises delivering services are left unsolved, which determines the relevance of the present scientific research.

3. The Purpose of the article is to find ways to increase the efficiency of enterprises delivering services by using logistic concepts.

4. Results. Today, within the framework of the country's economic reforms, one of the urgent necessities is a revision of outdated structures and methods of management in the services sector, which will help to remove obstacles to the development of both the abovementioned sector and the whole economic system of Ukraine. In accordance with the official statistical data in Ukraine for the period of January-December 2014, if compared to the corresponding period of the previous year, the scope of services realized to consumers grew up to 0.8% (in comparable prices) and amounted 316.493 billion [10] (Figure 1). Along with this, market prices increased up to 7.1% on the annual basis.

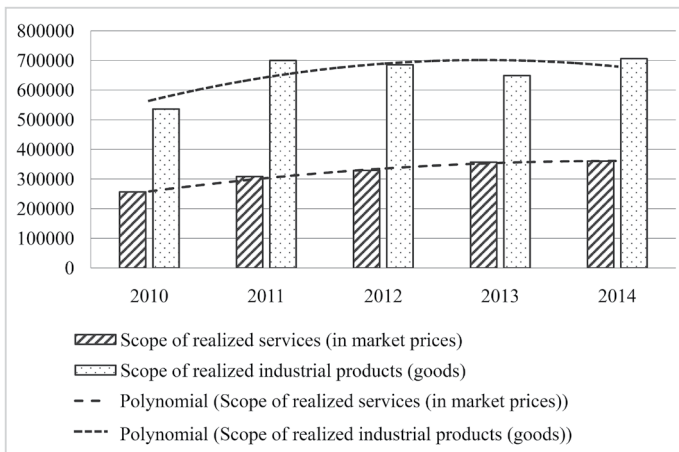


Fig. 1: Distribution of the scope of realized services and products for 2010-2014, %
Source: Compiled by the authors

In December 2014, the scope of the mentioned services amounted to 30.1133 billion UAH, which in comparable prices is 93.8% of the scope of services realized in December of the previous year. More than a third (36.%) of the total scope of the realized services were the transport services, warehousing, mail and courier services, 22.8% accounted for information and telecommunication services, 13.5% corresponded to implementation of professional, scientific and technical activity services, 9.9% comprised various real estate operations (Figure 2).

Within the period 2010-2014, we observe a significant decrease in the scope of services which depend on the industrial sector. They are transportation services, warehousing, postal and courier activities and real estate transactions. Nevertheless, enterprises are becoming more active in providing information and telecommunication services nowadays. Such data demand that the scientists develop practical recommendations for the majority of domestic enterprises some to improve their efficiency in service delivery in the light of the current crisis.

The main trends observed in the domestic services sector are the following. There is an active development of the services sector due to the overall increase in the volume of services. There is a differentiation in the quality of service levels with further steps towards protection of consumer rights. There has been an inclusion of basic services in the list of goods, etc.

In general, the state of Ukraine's services sector can be assessed as problematic with a number of contradictions. On the one hand, the abovementioned sector is the most important factor for the quality of life improvement. On the other hand, this sector significantly falls greatly behind other sectors in the development and application of the latest methods and technologies of management.

Despite the fact that scholars and public authorities at various levels point to the importance of a socially oriented economy, most of the support and investment programs for the development of services have not been implemented yet. Thus, it is appropriate to focus on factors which determine the quality of activities and determine the role of logistics in ensuring the appropriate level of service delivery, which will help to address the need for increased effectiveness of enterprises operating in the services sector.

Consideration of the stated problem requires a definition of the concept of service. Today scientists widely use such terms as «service» and «services sector». However, only some authors define these terms. Since the term «service» is ambiguous, it requires a theoretical analysis [1-9; 11] (Table 1).

After studying the theoretical discourse in the scientific literature, we are able to highlight the main points of view about this term: the service as an economic category; a type of activity; a sphere and a cash flow. The term «service» should be understood as an activity which is performed to meet specific needs and other facilities granted to everyone. It should be noted that the efficiency modern enterprises increases mostly due to the rational organization of basic processes at the enterprises, in particular on a rational purchase, transportation, resource usage, etc. All the mentioned business processes are directly related to logistics interrelating all these activities into one system. However, the growing role of logistics in modern economic world is also confirmed by the fact that in recent years many companies have understood the importance of logistic services.

In the context of this research, it is appropriate to highlight the main factors contributing to the increasing use of logistic concepts today: deepening of integration processes; enhancement of necessity to search for the ways to reduce expenditures on resources in crisis conditions; enhancement of competition and the orientation of enterprises activity on consumers of goods and services; use of advanced capabilities of new information technologies; acceleration of development of the services sector; implementation of a flexible system of production.

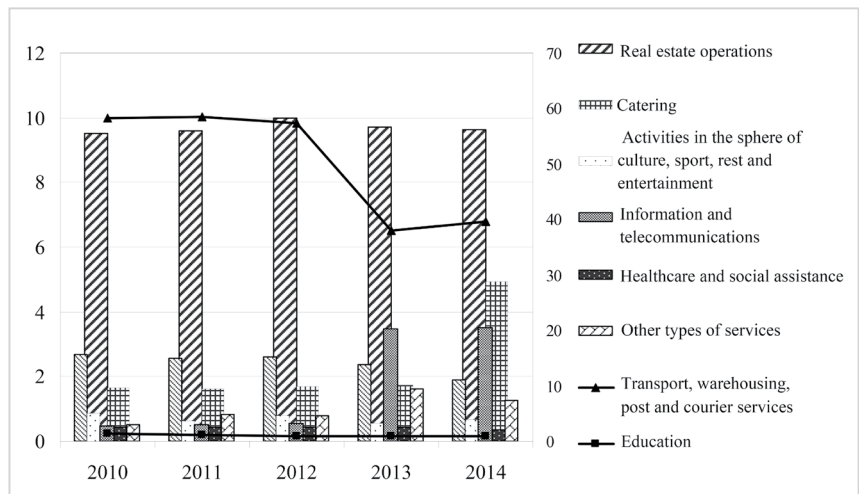


Fig. 2: The distribution of the relative weight of services sector indicators for the period 2010-2014, %
Source: Compiled by the authors

Tab. 1: The main concepts to define the term «service»

Definition	Keywords	Author
Functions to meet human needs, directly aimed at the production of a certain type of products	Function	O. Lange
Any of activity or weal that can be offered by the one party to the other	Activity	F. Kotler
A process of interaction between two or more market entities, where one entity influences the other(s) in order to create, expand or reproduce opportunities to obtain the fundamental use	Process	A. Chelnokov
A process that involves a series intangible actions which necessarily occur in the interaction between customers and service personnel, by means of physical resources, enterprise systems, i.e. service providers	Process	K. Grenroos
A product of labour which by its economic nature is identical to material goods	Product of labour	L. Tykotskyi
A type of economic activity that creates value and provides a definition of benefits to the consumer at a particular time and in a particular place as a result of tangible or intangible actions aimed at obtaining services or goods.	Activity	K. Lavlok
An advantage offered to the customer by an organization operating in the services sector	Advantage	P. Norman
A specific political and economic category that introduces labour relations and is realized directly as an activity effect that functions on the basis of consumption	Politico-economic category	M. Rosynskyi

Source: Compiled by the authors base at [1-9; 11]

Further, it should be noted that the practical aspect of the use of logistic concepts for the management of the enterprise in the services sector assumes maximal control of enterprises' cost and market sensitivity in order to meet the needs of the consumer (Figure 3).

Modern realities require from the enterprises delivering services a constant contact and more attention to the consumer, as well as a feedback with them. Taking into account the fact that a service cannot be demonstrated, seen, tasted, transported, stored, and considering the fact that most services are actions, services may present a concern for some consumers and sellers. An enterprise can describe its service and the benefits derived by the purchaser from its provision. Nevertheless, the quality of service provided can be evaluated only after its purchase and consumption.

The current state of logistics is characterized with regard to some peculiarities of the services sector development, such as [12]:

- establishment of consulting companies in developed countries;
- provision of logistics services (i.e. transportation, warehousing, storage, information support, customer service, etc);
- progress in the field of information technology which has greatly improved and facilitated logistics operations by improving communication with providers;
- cost reduction through the use of paperless technologies;
- creation of unions (alliances).

Those features are inherent to the modern stage of logistics development, which has greatly reduced the expenditures, risks and improved the opportunity of entering new markets. Therefore, it makes sense to list enterprise management elements from the position of the logistics concept (Figure 4).

While creating an effective system of enterprise functioning, a multitude of factors and indicators should be taken into account. In particular, N. Podolchak, (2013) [13] suggests to take into account multi-directional aims of stakeholder groups. However, it is extremely difficult to use this approach in the activity of enterprises delivering services. However, it is reasonable to apply it to balance different groups in a multi-aspect activity of enterprises with regard to a small number of stakeholder groups that will also adapt to the complex logistics systems of enterprises operating in the services sector. Stakeholder groups include: stakeholders and heads of companies; consumers, service providers and other counterparties; public authorities, etc.

Scientists distinguish numerous types of economic efficiency of business activity (e.g. productive,

technological, projecting, financial, etc.). However it is reasonable to consider the peculiarities of their influence on the functioning of enterprises.

Having analysed scientific literature, both domestic and foreign, we have concluded that there is no consensus on the definition of efficiency of the services sector relevant to the logistics concept. Cost minimization and the enhanced quality of services are often the main criteria of such efficiency. Undoubtedly, the focus on cost minimization is essential, but it implies the achievement of the required level of logistics services. As an illustration of the process defining priorities, it is proposed to consider a five-level model of service quality (Figure 5).

Thereby, we can present the following recommendations to improve the efficiency of enterprises operating in the services sector. It is necessary to implement:

1) minor changes in the activity of enterprises, keeping to the five-level model of service quality at the current stage of development of enterprises delivering services, which will significantly improve the efficiency of their functioning by structuring the existing information on the five-level model of service quality, and by organizing a well-functioning system of information and feedback with the distribution of powers and responsibilities of the personnel at the enterprises of the services sector;

2) tangible changes in the activity of enterprises which will secure a substantial increase in the volume of services provided to the consumer at relatively constant financial, material and labour costs; this can be achieved by constant reinforcement of interests and encouraging of consumers to purchase services, applying new calculation methods of the use of services, etc.;

3) major changes in the activity of enterprises, providing diversification with regard to modern trends, conditions and pe-

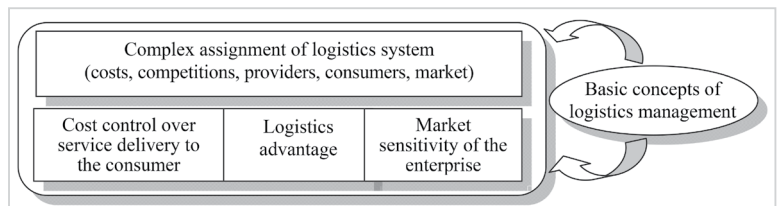


Fig. 3: Concepts of logistics management for the efficiency of services management

Source: Compiled by the authors

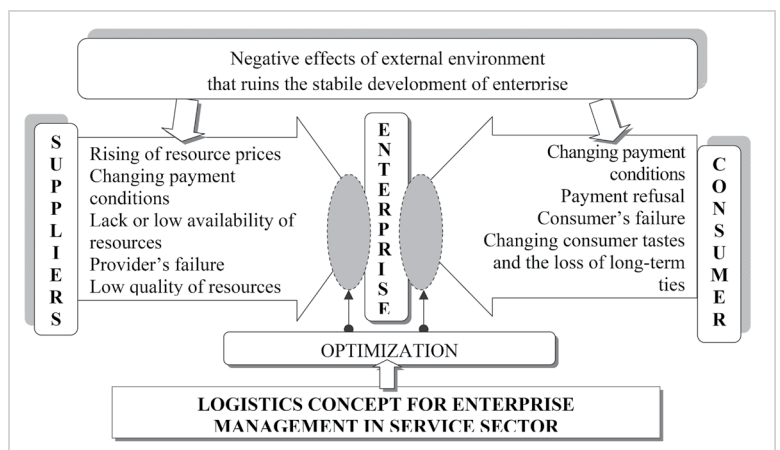


Fig. 4: Scheme of enterprises management in the services sector from the position of logistics concepts

Source: Compiled by the authors

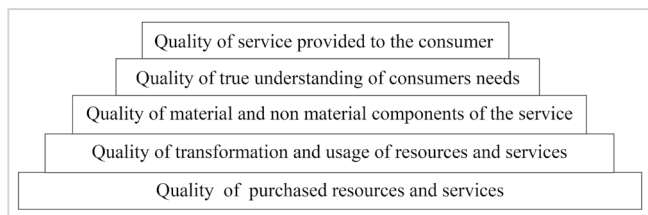


Fig. 5: **Five-level model of service quality**
Source: Compiled by the authors

cularities of their development, an active use of the information services diversity list related to the activity of enterprises, as well as the implementation of telecommunication innovations which will make it possible to attract new consumers, etc.

It is possible to increase the efficiency enterprises in the services sector in two ways: the first one involves a reduction of costs of services provided, the other implies an increase in profits. However, in practice a combined approach based on the basic principles of ISO 9000:2000 and Lean methodologies, along with the use of the tools of strategic and operational marketing, the tools of innovation management and the Theory of Constraints introduced by Goldratt (total optimization product, total flow management, time management, process management, inventory management, energy consumption management and Just-in-Time system) is usually applied.

5. Conclusions. We have reviewed various approaches that reveal the conceptual model of management using the principles of logistics reflected in economic literature. The lack of information and organizational support, the use of outdated methods, models and indicators for the organization and as-

essment of enterprise efficiency in the services sector leads to neglecting of process of using the reserve capacity management of enterprises delivering services.

We have formed a list of services requiring an increase in volumes of their realization which allows us to define the main trends in the development of the domestic services sector. This may become possible due to an increase in the volume of telecommunication services and a decrease in transportation services and warehouse activities, postal and courier activities, and real estate transactions.

We have defined the key points of the term «service» that justify individual elements of the logistics concepts use for enterprises delivering services and identified individual components of the logistics concept actively used by enterprises operating in the services sector, i.e. the complex assessment of logistics systems, market sensitivity of the enterprise to the consumer needs and the corresponding control of the costs to provide a service to the consumer.

We have proposed a five-level model of service quality and presented a corresponding list of methodological recommendations for Ukrainian enterprises to increase their efficiency in the services sector.

Sustainable development and improvement of the organization are the key aspects related to the enhanced efficiency of enterprises delivering services regardless of conditions. The prospects for further research on the efficiency enterprises operating in the services sector are outlined.

The results of the study, namely the methodological recommendations on the improvement of the efficiency of services are currently being implemented at Ecotehnopark LLC (Kharkiv, Ukraine).

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Received 10.01.2016

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Стаття надійшла до редакції 10.01.2016

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