

Logistics' Role in Enhancing Regional Economic Potential and Competitiveness

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Abstract: This article explores the economic essence of logistics, its role in enhancing regional economic potential, and its impact on income and profit generation for economic entities. Despite its significance, the integration of logistics processes at the regional level remains under-researched. The study employs deductive and inductive methods, along with factor analysis, to examine logistics' influence on competitiveness and its necessity for interdisciplinary collaboration. Results indicate that logistics optimizes management systems, supports sustainable development, and aligns functional areas within enterprises. Effective logistics management enhances product utility and minimizes costs, contributing to competitive advantages. The study highlights the importance of continuous organizational adaptation to dynamic market conditions, suggesting that logistics is crucial for achieving long-term competitiveness and stability in the market.

Keywords: Logistics Companies, Logistics Activities, Logistics Business, Logistics System, Logistics

Potential Of The Region, Logistics Chain, Logistics Methodology

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1. Introduction

The increasing role of logistics in the current period is primarily due to economic reasons. The increase in industrial production and the expansion of national and global economic ties require greater attention to reducing costs in the market sphere.

In Western countries, the transportation of commodities from the initial source of raw materials to the end customer is predominantly facilitated through several logistics channels, accounting for 93% of the whole duration of this process. Goods manufacturing accounts for a mere 2% of the overall time, while transportation consumes 5%. This implies that the proportion of the flow of commodities inside a country's economy constitutes more than 20% of its total national income. Within the framework of the commodity flow structure, the expenses associated with keeping raw materials, semi-finished goods, and finished products account for 44% of the total. Warehousing and dispatching costs make up 16%, while mainline and technical transportation costs equal to 23% and 9%, respectively. 3% of the total cost is allocated to the selling of finished products.

The advancement of logistics is primarily driven by the aim to minimize the temporal and financial expenses connected with the transportation of commodities.

Simultaneously, the heightened fascination with logistics might be attributed to the subsequent factors:

The shift from the sales market to the consumer market involves prioritizing consumer demand as the foundation for developing production programs and necessitates the establishment of a products transportation system.

- Ensuring the competitiveness of enterprises applying the logistical foundations of the organization of production and sales activities;

- Creation of objective opportunities to use the achievements of technical development in the logistics system;
- Development of new methods and theories of practical training, such as Systems theory and compromise theory, which underlie the optimization of logistics processes.

Logistics helps to optimize solutions to the functional tasks of the company: This is a multifaceted activity that requires material, information, financial and service flows. It is a system that consists of coordinating and combining the interactions between supply, production, distribution and sale.

Each functional branch of logistics (supply, production, transport, warehousing, distribution and sales) is a separate system-forming structure and has its own content and management coordination mechanism. At the same time, logistics should be considered as an organizational and economic aspect of integrated systems for the transfer of materials, information, services, financial and social flows within the framework of social reproduction. In this regard, logistics in practice makes it possible to comprehensively cover all areas of production and circulation based on the interaction of economic and managerial components.

The development of logistics is determined by the trends and dynamics of the development of the economy in general and the region in particular. A simple logistics system consists of a certain number of elements and certain relationships. Logistics systems are characterized by semi-structuralist, which is expressed in the interpenetration of various subsystems forming several structures. They are not static: they are organized in relation to working conditions, they tend to quickly rebuild – this is their flexibility.

Analysis of the thematic literature. By the mid-1950s, the company's growth reserves had been depleted in a market economy as a result of cost reductions and private solutions implemented in certain functional areas. The quest for such reserves originated from the integration processes in the domains of production, supply, and distribution. From this juncture, the logistical cycle commences. The period from the mid-1950s to the 1970s was referred to as the era of logistical development by Western specialists.

The inception of logistics in the economy originated from the domain of distribution. According to experts, the selling cost is equivalent to 50% of the product cost. The transfer of the cost center from production to distribution necessitated a modification in the methodology and principles of distribution. As a result, this led to the consolidation of sales responsibilities and the establishment of a new department focused on the physical distribution of items. The theoretical foundation was rooted in the concept of total costs in physical distribution, which refers to the ability to consolidate distribution expenses in order to decrease them. The user's text is "[5]".

There is unanimous consensus among scientists regarding the initial phase of logistics development. Nevertheless, there exist various methodologies for the second phase, which originated in the 1970s. A.M. Gadzhinsky contends that in the current phase of logistics advancement, production has become a part of the integration process. L.B.Mirotin and V.I.Sergeev observe that the idea of business logistics, which focuses on the physical distribution of the procurement sector and the management of material resources, is evolving, and production management is transitioning into industrial logistics [4].

Contrarily, we assert that following the advancement of physical distribution logistics, logistics in the supply sector and industrial logistics in the realm of production progress simultaneously and autonomously. The growth of logistics is currently fragmented, and it is more appropriate to refer to this period as the period of fragmentation rather than the period of the 1920s–1950s [3]. It is logically infeasible to merge supplies and sales without considering their relationship with production.

During the third phase of its evolution, logistics attains a state of maturity. This stage is referred to as the logistic or non-integration period in the literature [1]. Currently, all aspects of logistics, including physical distribution, supply management, and industrial logistics, are integrated into a unified logistics chain, resulting in the establishment of a micro logistics system at the enterprise level.

Micrologistics starts when the challenge of combining separate flow processes arises and reaches maturity while establishing a logistics system within a company.

Scientists generally hold a favorable view of Micrologistics, although the same cannot be stated about macro logistics. In his book on logistics, A.M. Gadzhinsky defines a macro logistics system as a comprehensive system that oversees the management of extensive material flows. This system encompasses industrial enterprises and organizations situated in different regions or countries, as well as intermediary, trade, and transport organizations from various sectors. The obstacle preventing the integration of firms in the region through the macro logistics system is currently ambiguous. Micro logistics chains involve participants in internal flow processes within a corporation, while macro logistics networks involve participants from different geographical organizations.

2. Materials and Methods

The study used methods of deductive and inductive determination, factor analysis of the economic essence of logistics, its role in increasing the economic potential of the region.

3. Result

The specifics of using the universal concept of logistics at the level of individual territorial entities and regions at the present stage of production remains a little-studied problem.

The study of the region as a system of logistics potential primarily depends on the location of the region and on how well this system is developed. At the same time, it is necessary to uncover the mechanism for managing flow processes in the regional economy.

The methodology of logistics requires, after studying the relationship of an object with the external environment, to proceed to the analysis of its structure. Acting as an element of the "national economy" system, the region currently represents a complex system consisting of various subsystems, which indicates that the region is characterized by the first feature of the system – integrity and cementation. The allocation of subsystems of the region can be carried out from different positions and criteria. At the same time, taking into account the logistic methodology of the study, it is necessary to use the method of transition from the general to the particular, according to which the region is first divided into the largest subsystems, and then each of them is studied separately and in combination with other elements.

Changing the traditional content of market demand and market supply in a more complex global economic system affects the strategic goals of participants in the logistics chain: stimulating demand and minimizing total costs, improving the quality parameters of the entire system, increasing environmental, resource-saving, and social potential.

The dynamically changing market environment and increased competition require rapid coordination of processes beyond the boundaries of one business entity. The application of the logistics supply chain management concept supports joint business activities and ensures inter-organizational, functional, organizational coordination, synchronization and control.

Logistics is the methodology of the process of organizational and analytical optimization of complex economic systems and subsystems. The competitiveness of an economic entity, which unites all components of its activities (innovation, organizational, supply, production, distribution and marketing), has the ability to effectively solve emerging problems and ensure sustainable development. In these conditions, the crucial task is to coordinate and optimize end-to-end flow processes in enterprise management, which significantly changes the criteria for evaluating efficiency: the logistics approach does not take into account overhead costs, the criterion of the minimum amount of costs is used, based on the optimal value of each condition in the logistics system.

Interaction with logistics of such disciplines as management, marketing and trade is an economic component of trade, production and commercial activities in entrepreneurship, these are "logistics management", "marketing logistics", "commercial logistics". In a consumer-oriented economy, the functional separation of logistics, management, marketing and commerce is unacceptable.

Functional logistics management at the enterprise determines the achievement of the enterprise's goal by special logistics functions (supply quality management, risk management, logistics cost management, logistics innovation management) with general logistics functions (organization, planning, regulation, coordination, control, accounting and analysis). The peculiarity of logistics management is that it is connected by infrastructure with all functional areas of management (investment, innovation, production, financial, information, personnel) for strategic and tactical goals and objectives, as well as for managing the procurement of material resources, production processes and sales of finished products. In this regard, the management of the management system as a whole should be considered in the unity of three aspects:

- as a process of interrelated functions;
- as a set of tools and methods aimed at achieving the goals of the enterprise in accordance with the internal capabilities and business conditions;
- as a means of regulating (and regulating) employee relationships with colleagues, business partners and consumers.

The functional directions of production, sales and logistics at the enterprise add a certain profit to material resources and form the total profit of the finished product (service) for the consumer, which is characterized by the following components:

- the usefulness of the form (creation in the process of converting the material flow into the required finished product);
- the usefulness of place and the usefulness of time (created by the delivery (transportation, movement) of economic flows that meet the needs (for timely replenishment of stocks, information, maintenance);
- utility of ownership (created as a result of attracting consumers to the product, generating demand and stimulating the desire to purchase the product).

In this regard, as a set of material labor, a "complete value chain" is formed, the result of which is "total (aggregate) utility".

It is assumed that when using an integrated logistics management system and analyzing the full cost of business processes, the end result is always to determine the most economical option to meet the needs of the buyer. However, costs can change in all parts of the supply chain, which means that the costs of performing certain business processes can increase. This is possible if such a step leads to greater savings on related business processes and, ultimately, to a reduction in their full cost at a constant level of customer satisfaction.

The transformation of accounting into digital technologies, in other words, automation of accounting is the process of systematic accounting, storage and processing with the help of information technology of business transactions occurring in the process of conducting financial and economic activities at enterprises.

In our opinion, automation of accounting is equally relevant for all entities in need of information related to the financial and economic activities of the enterprise: for the heads of the enterprise – for reducing the costs associated with accounting work and for creating the possibility of systematic control, for accountants – for reducing the amount of work performed and increasing efficiency over time, for employees of the company – for quickly obtaining up-to-date information for providing customers with the opportunity – for providing the possibility of remote execution of operations related to the enterprise to employees of state bodies – for the possibility of remote control over the financial and economic activities of enterprises.

4. Discussion

Logistics develops and complements marketing by linking supplier, manufacturer, the consumer (and transport) into a mobile, organizational, technological, and planned-economic coordinated business system. Marketing tracks and determines demand, that is, it answers the questions: what kind of product is needed, where, when, in what quantity and in what quality. Logistics ensures the physical promotion of the required form of flow to the consumer and allows the consumer to deliver the required amount of goods to the right place at the right time with minimal cost. Marketing sets itself the task of a systematic approach to the organization of the movement of goods, with the effective organization of the movement of goods, each stage of this process should be planned as an integral part of a balanced and logically constructed overall system. In this regard, the methods of organizational and technological integration of all participants in the movement of goods are the main subject of logistics study.

Commerce involves the process of organizational, technical and socio-economic interaction of market participants in the distribution and organization of the exchange of commodity values and services on an equivalent basis. The main object of commercial logistics is the material flow, which cannot be optimized and rationalized without coordination with the relevant flows: financial, service, information. As a result, commercial logistics defines a flow management system related to the purchase and distribution of goods to achieve reliability and flexibility of production and trade.

At the same time, market development and changes and dynamics of market processes determine the specifics of economic relations occurring in logistics systems, which allows coordinated management of flow processes, ensuring their synchronicity and synergetic integration, leading to significant end results for all participants.

5. Conclusion

This, logistics contributes to the coordination of functional areas of economic activity, optimization of the management system and stability of production and market positions of economic structures.

The variety of logistics processes makes it possible to integrate components of logistics systems, as well as use a number of approaches to achieve the most accurate and meaningful results in accordance with the goals and objectives of business entities, taking into account differences in the working conditions of enterprises and even similar departments.

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